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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Friday September 23 1983

D 8523 B

Brazil and IMF: the goals are strictly short-term, Page 4

NEWS SUMMARY

GENERAL
Marcos threatens 'extreme' measures

Philippines President Ferdinand Marcos hinted yesterday that he would consider reimposing martial law after 11 people died on Wednesday in anti-Government demonstrations near the presidential palace.

President Marcos gave the warning on nationwide television following the violence which erupted after a peaceful rally by 75,000 protesters demanding his resignation because of the assassination of Mr Benigno Aquino, the opposition leader.

Mr Marcos, visibly angered by the riots around the Malacanang palace, said in his broadcast: "I warn the opposition do not force my hand, do not compel me to take to extremes that you already know of."

Black box race

U.S. Rear Admiral William Cockell said Soviet and U.S. ships had nearly collided in a race to find a flight recorder from the South Korean jumbo jet shot down by the Soviets three weeks ago.

Missiles deadlock

Chief Soviet negotiator at the U.S.-Soviet missile talks, Yuri Kvitinsky, heard the new U.S. proposals aimed at breaking a deadlock, but said he was no more hopeful of an agreement. West German reaction, Page 3.

Spanish work-in

Workers sacked from a Spanish state steel mill in the eastern port of Sagunto defied orders to quit and stayed at their jobs amid threats of national protest strikes, Page 2.

Belgian standstill

Belgium's public services were nearly at a standstill as the unions considered an offer of job guarantees in exchange for public sector spending cuts, Page 16.

Detention reform

The Italian Government said it will introduce measures next month to reduce the long periods of detention which terrorist suspects such as missing Marxist MP Professor Toni Negri often undergo before trial, Page 3.

Aeroflot flight

Aeroflot said one of its airliners landed in Paris yesterday despite bans placed on the Soviet airline flying over Western territory. It took the southern route via Budapest.

Sahara failure

A mini-summit of African leaders in Addis Ababa yesterday abandoned an attempt to solve the Western Sahara crisis after Morocco refused to negotiate directly with separatist guerrillas.

Relatives in vigil

A 24-hour human rights demonstration continued in Buenos Aires yesterday after more than 1,000 relatives of missing people maintained an overnight vigil outside the presidential palace.

Fatal attraction

Amorous female elephant Yilong, 42, and her mate Baibao, 53, who weighed more than 6 tonnes, died in Canton Zoo after she made a pass at him and they landed on top of each other in a narrow moat.

Briefly...

Yugoslavian youth, aged 16, held up a bank in Niska Banja, Serbia, and took 780,000 Dinars (\$7,800).

Third East German this week escaped to West Germany.

BUSINESS
DJ index surges to record 1257.52

WALL STREET share prices jumped sharply in a broad-based late trading rally which sent the Dow Jones Industrial average climbing to an all time high.

The index closed up 14.23 points at 1257.52, more than eight points above the previous record of 1249.19 set on Tuesday. Most of share price gains came in the closing minutes of trading.

The late rally, which reversed an earlier weakness in the market, was helped by a further slight decline in U.S. short-term interest rates and reports from the credit markets of unexpectedly strong demand for the 20-year bond auctioned by the Treasury yesterday.

SIR MICHAEL EDWARDS, who was executive chairman of B.L. the British motor vehicle producer, until the end of 1982, is to be the chairman of ICL, the computer company which had to be rescued by the UK Government, Page 16.

DOLLAR rose to DM 2.678 (DM 2.668), Fr 8.065 (Fr 8.055), Sfr 2.1685 (Sfr 2.1605) and Y242.5 (Y242.0). Its trade-weighted index was 124.7 (124.4). In New York it closed at DM 2.6705; Fr 8.0750; Sfr 2.1690 and Y241.55. Page 37.

STERLING closed 76 points lower on the day in London at \$1.490. It eased to DM 4.0175 (DM 4.02), Fr 12.125 (Fr 12.135), Sfr 3.2525 (Sfr 3.255) and Y363.75 (Y365). Its trade-weighted index was 35 (35.2). In New York it closed at \$1.5010. Page 37.

GOLD fell \$2.5 an ounce in London to finish at \$498.625. In New York the Comex September settlement was \$492.5 (\$411.9). Page 36.

LONDON: THE FT Industrial Ordinary Share Index rose 2.1 to 708.1. Gilt prices picked up after a lower opening reflecting continuing hopes of an early 'point cut' in clearing bank base rates. Long-dated issues retrieved early falls of 1/4 to finish 1/2 better on balance. Report, FT Share Information Service, Pages 29-31.

WALL STREET: The Dow Jones Index closed at 1257.52 up 14.23. Report, Page 27.

TOKYO: Nikkei Dow index rose 7.74 to 9,280.3, and the Stock Exchange Index closed 1.83 up at 684.8. Report, Page 27. Leading prices, other exchanges, Page 30.

FRENCH Government is expected to put a supplementary defence budget before the National Assembly in December to pay for its military operations in Chad and the Lebanon. Page 16.

PORTUGUESE Government has resisted opposition bids to block its proposals to raise an extra Esc 180n (\$144m) in taxes this year in a drive to reduce the budget deficit. Page 3.

WOMETCO Enterprises, the U.S. entertainment, cable television and soft-drink bottling company, has agreed to a \$942m bid by a group of investors led by Kohlberg Kravis Roberts and Company, the leveraged buyout specialists. Page 16.

PENNZOIL, the Houston, U.S., based energy and mining company, has formed a \$500m joint venture oil and gas production company with a group of private investors to acquire producing oil and gas properties. Page 17.

OERLIKON-BUHRLE, the Swiss arms, hotels and footwear group, whose profits have collapsed dramatically in recent years, is heading for a loss this year and may not be able to pay a dividend. Page 18.

VICKERS, the UK car, defence and marine engineering group, reported a fall in its pre-tax surplus to £7.5m (\$10.2m) for the first half of this year. Page 20.

New York stock exchange prices were unavailable for this edition because of transmission difficulties.

French launch air strike on Druze positions after rocket attack

BY PATRICK COCKBURN IN BEIRUT

FRENCH aircraft yesterday attacked Druze militia positions in the hills above Beirut in retaliation for a rocket attack on the French base in the Lebanese capital.

The bombing raids by the French Super Etendard jet-fighters launched from aircraft carrier Foch were the first use of air strikes by the 5,400-strong four-nation multinational force, made up of U.S., French, Italian and British soldiers.

The raid followed a ground-to-ground rocket attack which wounded four French soldiers. Another two members of the French force were injured when a grenade was thrown into their truck. It was not immediately clear who fired the rockets.

Earlier yesterday, Charles Hernu, the French Defence Minister, gave French forces permission to shoot back in self-defence without specifying how his order would be carried out. Last month, however, the French said that Foch-based aircraft might be used against Druze artillery batteries.

In Beirut, yesterday's escalating clashes were seen as an almost inevitable consequence of the U.S. naval bombardment of Druze positions over the preceding three nights.

This was in direct support of the Lebanese Army, while the French, Italian and British contingents follow different rules of engagement and are under orders only to re-

spond to attacks endangering soldiers' lives.

U.S. support of the Lebanese Army in its war with anti-Government Druze and Palestinian forces is clearly provoking retaliation against the multinational force as a whole.

Yesterday's incidents, in which the Italians also came under attack, underline the increased vulnerability of the peacekeeping force now that the U.S. Marines who belong to it are acting virtually as direct military allies of the Lebanese Government.

The 12 U.S. warships offshore yesterday continued to shell Druze and Syrian positions and will soon be reinforced by the arrival of the

reconditioned battleship New Jersey.

Two rockets hit the ammunition reserve of the Italian parachute battalion, leading to a spectacular explosion of some 25 tons of ammunition but no casualties.

The French and Italians together provide some 4,100 members of the multinational force, and their governments are clearly concerned that their role has changed as a result of U.S. actions. M. Claude Cheysson, the French Foreign Minister, has publicly dissociated France from the actions of the U.S. Sixth Fleet.

The four Italian battalions belonging to the multinational force see their main role as defending the

civil population as much as supporting the Lebanese Government.

They patrol an area containing up to 600,000 people - including the Palestinian camp of Chatilla, where 900 people were massacred last year - in vulnerable military vehicles painted white.

In a bid to give their force greater military muscle in case they come under sustained attack, the Italian Government is to station six F-104 aircraft at the British sovereign base at Akrotiri in Cyprus, with British Government permission. These can provide aircover for the Italian troops if necessary.

On the battlefield, the Lebanese Army said that it had repelled another attack on the ridge-top town

of Souq al-Gharb, in which 25 anti-Government fighters were killed. Shells also fell in East Beirut and not far from the presidential palace at Baabda.

But despite the continuing pressure on Souq al-Gharb and artillery fire on targets close to Beirut, the Druze and their Syrian allies have not attacked in any other direction. They have not tried to cut the coast road to the South or made diversionary assaults in other directions.

While this gave greater grounds for optimism in Beirut that the Saudi efforts to secure a ceasefire

Dunlop-Sumitomo deal to cost Europe 5,500 jobs

BY KENNETH GOODING IN LONDON, JOHN DAVIES IN FRANKFURT AND DAVID MARSH IN PARIS

JAPAN'S Sumitomo Rubber Industries is to pay £22m (\$122.8m) for most of Dunlop's business. The decision by Britain's diversified rubber products group to give up its European tyre operations is expected to cost more than 5,500 jobs in the UK, France and West Germany.

The job losses are caused by the Japanese group's refusal to buy certain plants. These are the British car tyre manufacturing operations at Fort Dunlop, Birmingham, where there are likely to be about 1,000 redundancies, and Dunlop's two French tyre factories, at Montluçon and Amiens, which between them employ 4,500.

Closure of the French facilities, where losses were the equivalent of \$18.5m last year and are running at a higher level this year, seems inevitable, but Dunlop will discuss the situation with the Paris Government first.

Sumitomo will purchase the tyre facilities at Washington, in North-East England, and at Wittlich and Hanau in West Germany. Employment at Washington will not be affected, but there will be "some reduction" at the German plants. Dunlop would not estimate the German redundancies yesterday because this will be a matter for discussion with the Japanese group.

Sumitomo will take on about 5,800 Dunlop employees - 2,800 in Britain and 3,000 in Germany.

The deal will involve a complete reversal in the flow of technology between Dunlop and Sumitomo. During the past 20 years Sumitomo has become Japan's second-largest tyre company (when its 48 per cent associate Ohtsu Tyre is taken into

Dunlop's net loss for the first half of 1983 rose to £22m (\$122.8m) from £19m for the corresponding period last year on sales up from £775m to £825m. There is no interim dividend. Dunlop's shares closed 4p down at 57p after yesterday's results announcement. Details, Page 21; Lex, Page 16; Editorial comment, Page 14.

the reckoning) using Dunlop technology.

In future, Dunlop will take technology for its remaining tyre operations around the world from the Japanese group.

Sumitomo currently has a turnover equivalent to \$945m and employs 4,000 people at four factories in Japan. It has - and will continue to have - the right to use the Dunlop brand name in Japan, Taiwan and Korea, but also sells under the Sumitomo label.

Paris will take a close interest in Dunlop's plans for the French manufacturing facilities. No official comment was available last night either from Dunlop's French subsidiary or from the Industry Ministry, which has been active in arranging financial aid for the loss-plagued company.

Officials said privately, however, that Dunlop's agreement to sell its British and West German tyre interests posed additional question marks over the future of the French subsidiary. As part of a restructuring deal involving Ffr 270m (\$33.52m) worth of state-backed loans, put together at the end of last year, Dunlop France already agreed 700 job cuts out of its 6,400 workers.

Dunlop France lost Ffr 200m last year on a turnover of around Ffr

Conti-Gummi together have more than half.

Conti-Gummi is the biggest supplier of tyres direct to West German car manufacturers.

The tyre industry in Germany has been picking up this year, but competition is intense and the companies are keenly aware of the need for further technological developments to keep pace with their rivals.

Conti-Gummi also has a Japanese link in the form of co-operation arrangements with the Toyo Rubber Industry Company.

Toyo has obtained technical know-how from Conti-Gummi for use in production of tyres for trucks and cars. Toyo also produces Conti-Gummi tyres in Japan and some of these tyres return to West Germany on Japanese cars.

Conti-Gummi's tie-up with Toyo is part of a strategy of links with tyre manufacturers around the world, including the U.S., India and South Africa.

Dunlop is giving up an 11 per cent share of the tyre market in Western Europe, where it is the fourth-largest manufacturer. The group has spent £20m to restructure its troubled British tyre operations in recent years. It has closed plants at Speke, Merseyside, and at Inchinnan, near Glasgow. The tyre-making workforce has been cut from 13,000 to 3,000, and next week the Dunlop factory at Cork, in Ireland, is to shut with the loss of 682 jobs.

Sir Campbell Fraser, Dunlop's chairman, said yesterday that European tyre losses totalled £24m in 1982 and were £14m in the first half of this year.

Continued on Page 16

Continued on Page 16

Brussels to take action against illegal subsidies

BY PAUL CHEESERIGHT IN BRUSSELS

THE EUROPEAN Commission will in future order companies to repay state subsidies which are in contravention of EEC competition rules.

The decision to stiffen competition policy, signalled in the EEC's Official Journal yesterday, follows persistent agitation by West Germany against the free use of subsidies in other parts of the Community.

Earlier this week, Bonn decided to take the Commission to the European Court of Justice for allegedly illegally approving steel subsidies in France, Italy, Belgium and the UK.

Officials said future demands for repayment of subsidies could come in cases such as that of the French textile industry. The European Court told the French Government this week that it must dismantle its assistance scheme for textile firms.

The judgment struck at the heart of the French Government's plan to assist the textile industry, which has been shedding 30,000 jobs a year. Help for textiles is an integral part of the Government's plan to revitalise industry.

The court's decision effectively backs the Commission's attack on the French programme.

The Commission and France have been in dispute about the aid scheme since it was introduced in 1982. The scheme allows companies to pay lower social security taxes where employment is maintained or increased.

a plan that was broadly the same as one the Commission had declared illegal in 1982.

Under EEC rules, France had one month to reply, during which the system should have been suspended. In fact, it did not suspend the system and this prompted the Commission's move to the Court.

Other cases under investigation as possible examples of illegal state subsidies were French Government aid for a subsidiary of Timex, the U.S.-based watch and industrial company, and British help for the American Hyster forklift truck makers.

The Commission's new move marks its growing concern about the proliferation of subsidies granted without its approval. It is entitled to act independently in the competition area, and does not have to rely on political decisions by the Council of Ministers.

The Commission's right to demand the reimbursement of subsidies was established in July 1973 by a European Court of Justice decision but has not been used.

The decision to invoke the right in the future is in line with the present Commission's stringent but, as critics would have it, uneven application of the competition rules.

Under the Treaty of Rome establishing the EEC, all aid measures are in principle prohibited. There is scope, however, for relaxing the general principle, provided the Commission agrees. This has been done in some cases to help restructuring, as, for example, in the steel industry.

OECD warns Europe will fare worst as unemployment rises

BY DAVID HOUSEGO IN PARIS

PROSPECTS FOR employment in the industrialised countries remain bleak for the rest of the decade, the Organisation for Economic Cooperation and Development (OECD) says in a new survey.

It calculates that 20,000 jobs a day will have to be created within the 24-nation group over the five years to 1989, to reduce unemployment to its 1979 level. This represents some 35m jobs in all.

This rate of job creation would be 74 per cent higher than that required after the first oil shock of 1973-74, the OECD says, illustrating the magnitude of the task facing the industrialised countries in the wake of the second oil shock of 1979-80.

The OECD specifically warns of the danger that demands for higher real wages could force governments to tighten their monetary and fiscal policies, thereby preventing the growth needed to solve the unemployment crisis.

The calculations and warnings appear in a new annual report by the OECD on the "Employment Outlook" in the industrialised countries, the first issue of which is published today. It is intended to be an accompanying document to the OECD Secretariat's half-yearly economic forecasts.

The report estimates that some 20m new jobs will have to be created over the 1984-89 period just to hold unemployment stable at the level of 34.75m which it is expected to reach by the end of next year.

The worst of the unemployment within the OECD area is in Europe, the report makes clear. It foresees that unemployment will continue to rise in Europe to exceed 11.5 per cent of the labour force in the second half of next year. It would thus advance from 10.5m in 1982 to almost 20m by the end of 1989.

Within Europe the fastest growth in the number without jobs is expected in France, where the Government's anti-inflationary policies are predicted to push unemployment from 8 per cent of the work force at the beginning of this year to 10.25 per cent by the end of next.

The OECD remarks that among those without work the load falls heaviest on the young and adults

unemployed for a long time "who tend to be rejected by employers simply because they are long-term unemployed."

The Secretariat offers little in the way of new solutions to the unemployment problem. There was "no golden road" back to full employment, Mr Ron Gass, head of the Social Affairs Department, said yesterday.

Backing the view that real wage costs must come down in relation to the cost of capital, in order to revive profitability, the report states: "reversing this secular decline in profitability, possibly by cutting social security taxes and/or continued wage restraint, would no doubt help to increase employment, if the resources thereby released could be channelled into job-creating investment."

The OECD appears to be lukewarm about work sharing as a way of significantly increasing new jobs. Work sharing must include income sharing, if inflationary consequences are to be avoided.

Details, Page 2; Editorial comment, Page 14.

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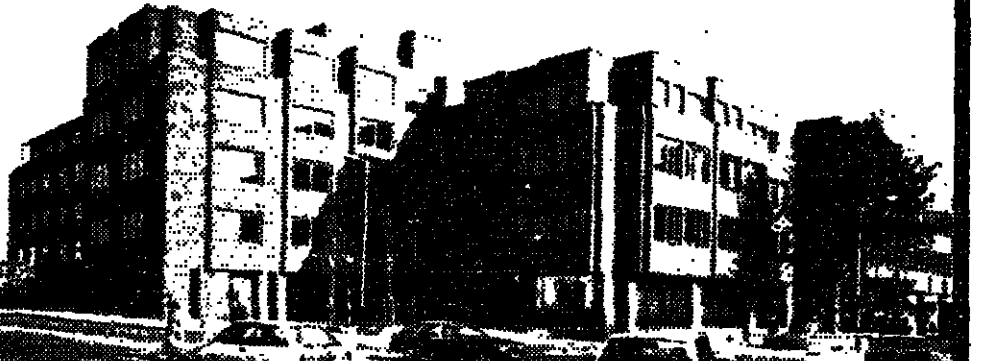
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EUROPEAN NEWS

Spanish steelmen in Sagunto dig in for another siege

BY TOM BURNS IN MADRID



Gonzalez: test case

EVERY SPANISH schoolchild knows about Sagunto. Its ancient inhabitants, after an eight-month siege, set fire to the town and committed mass suicide rather than succumb to Hannibal shortly before the start of the Second Punic War.

Modern-day Sagunto, just north of Valencia and now the headquarters of the integrated steel plant Alto Hornos del Mediterraneo (AHM), appears set to achieve a new notoriety.

Indomitable like their forebears, the Saguntino steelmen seem determined to stop in its tracks the Government's plan for a far-reaching industrial reorganisation.

AHM, which is wholly owned by the state holding company, Instituto Nacional de Industria (INI), has been singled out by the Industry Ministry as the first item on the rationalisation agenda. The future viability of the plant depends on the construction of hot rolling installations. In July, when budget allocations for the steel sector were

old Socialist Government of Sr Felipe Gonzalez. Both sides acknowledge that far more is at stake than the 4,000 jobs at AHM, of which some 2,000 will be lost in the near future under production cutbacks.

Sagunto is a test case for the entire industrial reorganisation programme. The main guidelines of the policy are contained in a confidential government White Paper. AHM is earmarked for closure and the two other steel plants, Altos Hornos de Vizcaya and Esidasa, respectively near Bilbao and Oviedo on the Cantabrian coast, will be streamlined drastically.

After the steel sector, shipbuilding will be rationalised and then the textile industry.

At Sagunto, the battle lines are drawn. Spurred on by a militant union leadership, 160 workers defied the management by continuing production on a discontinued line. On Wednesday, the management carried out its threat to issue dismissal notices.

The sacked workers continued to work yesterday, the management threatened to close down the plant and the Communist-led Comisiones Obreras union, which is the dominant force in AHM, began preparing a national steel strike.

A climbdown by the Government at AHM would put future rationalisation programmes at considerable risk. It is therefore prepared to pay a high political cost at Sagunto.

The mass dismissal notices and the threatened lock-out are unprecedented actions in a nationalised industry and the veteran Communist leader, Sr Santiago Carrillo, has taken full advantage of the fact. "I never thought a Socialist government would take such measures," he told Parliament on Wednesday in a televised debate.

Sr Gonzalez, clearly irritated by Sr Carrillo's taunts that the socialists' economic policy was "conservative and bourgeois," replied that the AHM manage-

ment was simply responding to a situation of industrial indiscipline. The Government, however, is undoubtedly uncomfortable about the course of events at Sagunto.

At the plant, the minority Socialist union, the Union General de Trabajadores, has fallen in line with the Comisiones Obreras' calls for strike action.

What has fuelled the anger of AHM workers is their belief that, of the three integrated steel plants in Spain, theirs is the most viable in the medium term. This was in fact suggested by a report commissioned by the previous Government from Japan's Kawasaki Steel Corporation.

It is claimed at Sagunto that the Socialist Government has bowed to pressure from Italy and France to end the potential competition that AHM would pose in the Mediterranean with hot rolling facilities, when Spain enters the European Community.

This is strenuously denied at the Industry Ministry and by INI officials who point out that AHM was born a white elephant and is a monument to the misguided optimism in Francisco Spain's continued growth. The plant was built in 1971 at a time when the projection for domestic per capita steel consumption was 500 kg a year in 1980. Consumption currently is 215 kg and the Spanish steel sector lost Ptas 48bn (£21m) in 1982.

In the coming weeks, Sagunto will once more be the focus for a series of work-ins, strikes and lockouts that will be a significant reference point for assessing the Socialist administration.

Spaniards, who make historical analogies at every turn, already speak in terms of the second gutting, this time metaphorical, of Sagunto, as the closure of AHM means the effective ruin of the town. But as one commentator put it yesterday: "Felipe Gonzalez cannot let Sagunto stand in his way anymore than Hannibal could."

Sweden acts on outflow of currency

By David Brown in Stockholm

SWEDEN'S central bank has raised by one point to 12 per cent its penalty rate for bank borrowing above quota in an effort to stem a currency outflow and adjust to higher money market rates.

About half the year's net currency outflow of SKr 10bn (£847m) has occurred over the past five weeks, according to the bank. Money market rates have gradually climbed from 11 per cent in June to around 12 per cent.

The bank has also abolished its liquidity ratio requirements used to regulate bank lending to the private sector. Lending will be controlled in future through the standing recommendation of the central bank which sets a 15 per cent limit on lending growth over successive 24-month periods.

The bank said the liquidity requirement change was technical and did not imply an easing of monetary policy.

Sweden's balance of payments deficit narrowed to SKr 2.1bn (£177m) in the first six months of this year, an improvement of about SKr 3bn over the level a year earlier.

OECD REPORT ON UNEMPLOYMENT

Bleak outlook for Europe's jobless

BY IAN HARGREAVES

UNEMPLOYMENT will continue to rise in Europe at least until the end of 1984, but there should be some improvement in North America. Overall, unemployment in the OECD countries will be 34.75m by the end of next year, compared with 34m now.

These figures form the statistical backdrop to the OECD's first annual review of the labour markets in its member countries. Although pessimistic in its forecasts, the OECD report contains ideas on the policies governments should adopt to mitigate an otherwise bleak outlook.

The report distinguishes six potentially helpful avenues in labour market policy:

- Policies designed to recognise structural changes in the job market, such as the switch from manufacturing to services;
- Policies to reverse the real rise in European labour costs, which the report says are part of the cause of structural, as opposed to cyclical, unemployment;
- Specific policies to deal with the young and long-term unemployed;
- Government subsidies to reduce the cost of labour in the private sector, allied to direct

job creation in the public sector;

- Changes in working time to share out available work, so long as workers accept the corollary of income-sharing;
- Measures to persuade companies and unions to frame agreements which "help translate recovery into more output and jobs rather than into higher wages and prices."

The report does not offer detailed analysis of the hundreds of schemes and policies which have been tried in the last five years, but does offer some broad judgments about potential success and failure.

Job creation and marginal employment subsidy schemes, which are being widely used, both "have some advantages compared with income tax cuts," says the report. These measures produce more jobs for less inflation than tax cuts, and although there are problems of efficiency and monitoring, "careful design... can shrink them."

In a chapter on working time, the report shows that in several countries the number of hours worked by the average worker fell by 10 per cent between 1960 and 1981. This process, however, has levelled off since the

second oil shock, except in the UK. The report offers no explanation why the trend towards declining hours should have eased in spite of a worsening recession in 1981-82.

Part-time work has also increased in importance, partly as a result of a continued strong influx of women in to the labour force in most countries. In net terms, one in every two new jobs created in Europe since the first oil crisis has been part time.

Part-time work should be encouraged, says the report, as a way of young people combining work with studies and as a way of phasing in retirement.

The report rejects arguments for general reductions in the retirement age. It says that early retirement programmes should carry the condition that the early retiree is replaced by someone from the unemployment register—as is the case with the UK's Job Release scheme. This the report describes as a potentially powerful way to restructure working time in a non-inflationary way.

Turning to collective bargaining, the report warns of the dangers that pressures for higher real wages will force governments to

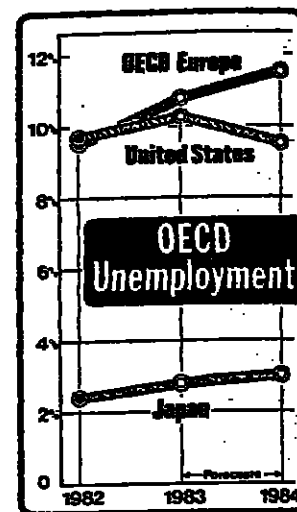
tighten monetary and fiscal policy and so choke off the growth which in the end is the only solution to the employment crisis.

In looking to the future, the report makes it clear that the labour force will continue to grow. Between 1984 and 1989, the OECD labour force is expected to grow by a further 18 to 20m people.

In Europe, however, the number of jobs continues to fall, although by the second half of next year, European employment may have stabilised at a level 2m lower than in 1982. For the OECD as a whole, employment is projected to rise by 0.5 per cent in the second half of this year.

This means that the unemployment rate should start to decline in North America in the current half year, falling to below 9.5 per cent by the end of 1984. The European unemployment rate, by contrast, is expected to go on rising, exceeding 11.5 per cent in the second half of 1984. That would mean European unemployment of 20m by the end of 1984, up from 16.5m in the second half of last year.

The report notes that 20,000 extra jobs will have to be



created each day in the second half of this decade if OECD unemployment is to fall to its 1979 level of 19m.

The proportion of those out of work for a year or more will also go on increasing from the current European level of one in three. The report suggests the ratio of long-term unemployed to total jobless will in 1984 reach 45 per cent in France and 40 per cent in the UK. "The current outlook for long-term unemployment... is thus extremely bleak."

OECD Employment Outlook, 2 Rue Andre-Pascal, 75775 Paris.

EUROPEAN TRADED OPTIONS

Tuesday-Wednesday-Thursday-Friday

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It's been a hard day's night

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Vast areas of derelict land are being redeveloped by Merseyside Development Corporation into sites suitable for industry, housing and leisure facilities.

Recently 250 acres of disused dockland were reclaimed and are currently being transformed into the site of the International Garden Festival Liverpool '84 (May to October) - the biggest event of its kind ever held in Britain.

At the same time, Merseyside County Council is tackling the unemployment problem in true Merseyside style.

A whole range of business schemes and training programmes have been initiated that rely for their success on Merseysiders' renowned enterprise and initiative.

Already hundreds of previously unemployed people are in permanent, full-time jobs as a direct result.

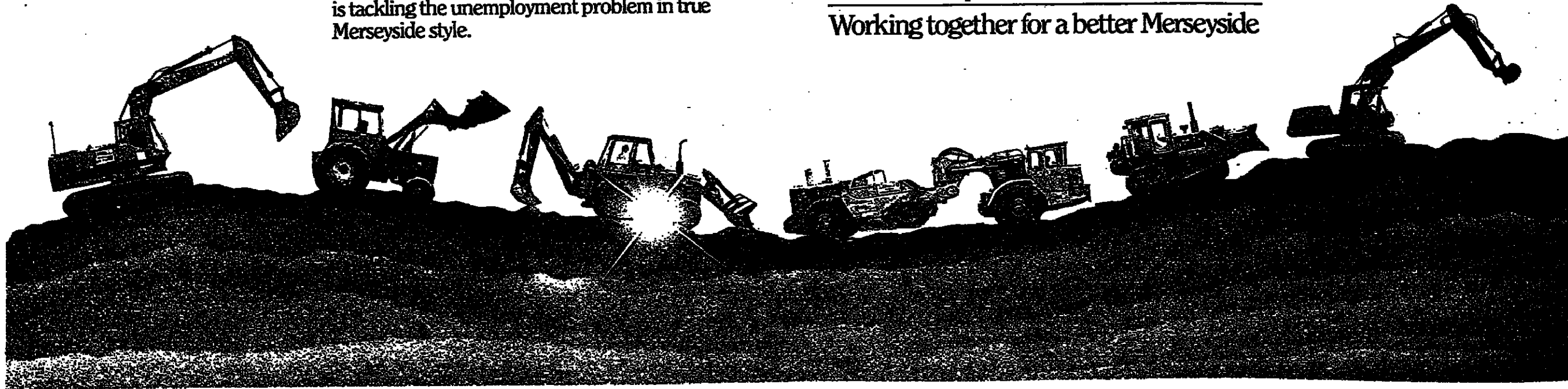
We're not denying it's been a hard day's night in Merseyside.

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EUROPEAN NEWS

Soares staves off taxation defeat

By Diana Smith in Lisbon

THE PORTUGUESE Government has resisted opposition bids to block its proposals to raise an extra Esc 180n (\$144m) in taxes this year in its drive to reduce the budget deficit.

After a heated debate lasting late into the night, Mr Mario Soares' Socialist-Social Democrat majority, which controls 81 per cent of the seats in parliament, defeated separate attempts by the right-wing Christian Democrats, by an independent left-wing group and by the communists to declare the proposals unconstitutional.

Defending the Government, Sr Antonio Almeida Santos, the Deputy Premier, insisted that the administration had a choice of austerity and higher taxes, or of seeing funds dry up quickly. Sr Santos said that the Government inherited a budget deficit of Esc 204bn—about 12 per cent of gross domestic product, more than Esc 50bn more than official forecasts. He urged the opposition, scathingly: "Would you rather we hung around with our arms folded waiting for Esc 204bn to appear by magic?"

The tax proposals largely affect the better-off and leisure activities, but also include a 2.8 per cent levy on extra income such as Christmas bonuses.

Gaming tax rises from 15 per cent to 20 per cent. Owners will pay tax on passenger vehicles of more than 1700 c.c. motorcycles of more than 500 c.c. under five years old, private aircraft of 1.4 tonnes or more.

Another unpopular proposal is the new Esc 1000 tax to be paid by every adult leaving the country.

Italy to review remand laws

By John Phillips in Rome

ITALY is to introduce measures to reduce the lengthy periods of preventive detention that terrorist suspects frequently undergo before being brought to trial.

The move comes in the wake of the Italian parliament's decision to remove immunity from both prosecution and arrest from Prof Toni Negri, MP for the small libertarian Radical Party, and Marxist academic accused of being the ideological inspiration behind the Red Brigades.

Prof Negri, who spent nearly four years in detention awaiting trial on various charges including armed insurrection against the state, vanished on Wednesday following the parliamentary decision to allow his re-arrest.

Italy's Justice Minister, Sig Mino Martinazzoli, announced yesterday that proposals to reform the system of preventive detention will be put before parliament next month. The announcement came as Interpol launched an international search for Prof Negri, who is believed to have gone into hiding in France.

Hungary forced to abandon bus service to Romania

By Leslie Collett in Berlin

THE PETROL war in Eastern Europe took its latest toll this week when Hungary was forced to cancel its frequent bus services to neighbouring Romania.

The Romanian Government stopped Romanian buses from travelling to the rest of Eastern Europe late last year because of the need to "conserve petrol."

The other East European countries were then obliged to cancel their tourist bus lines to the popular Romanian Black Sea coast, which were based on reciprocal agreements.

Until this week, however, Hungary's Volan Transport Company was able to continue its bus services to the Transylvanian region of Romania where most of the 1.6m ethnic Hungarians in Romania live.

The severing of the bus links means that Hungarians visiting their relatives in Romania will have

to make circuitous rail trips to reach them. Hungarians claim this is part of a long-standing Romanian policy to discriminate against the Hungarian minority.

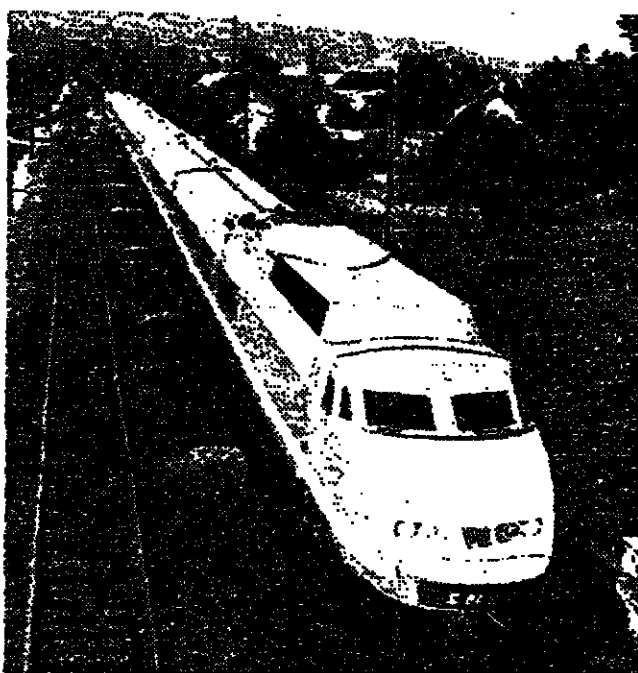
Romania also has little interest in fostering tourism by other East Europeans to the country, as they do not bring in hard currency and are regarded as a burden on the country's already stretched supplies of food and fuel.

In August, 1979, at the height of the tourist season, Romania decreed that East European motorists in the country would have to pay for petrol in hard currency. This led to angry protest notes from the other East European countries and threats of economic counter-measures which led Bucharest to back down.

East European tourists in Romania this summer said they rarely saw meat in the restaurants.

French high-speed train on track for profit

By Hazel Duffy in Paris



The TGV is the world's fastest train

WHAT IS orange and always takes less than 35 hours? asked the leaflet handed out by the rail unions to the Press party boarding one of French railways 107 sleek orange high-speed trains at the Gare de Lyon in Paris. It was a reminder that railway workers are pressing for a 35-hour week, and that behind the superb achievement of the Train à Grande Vitesse (TGV) project, not everything on French railways is rosy.

This week, however, belongs to the TGV. The final northern section of special track comes into operation officially on Sunday, cutting the journey time on the 264-mile Paris-Lyon route to just two hours (a record breaking 1 hr 51 mins in fact yesterday) at an average speed of 132 mph and a maximum of 168 mph.

The French are characteristically proud that they have the fastest train in service in the world: it is 40 mph faster than the swiftest Japanese trains. Paris-Geneva journey time has been cut to 3 hrs 30 mins, Paris-Marseille to 4 hrs 52 mins.

In financial terms, the TGV is right on target, proving that

it will never be the Concorde of the railways. Next year, SNCF, the state railway company, forecasts that TGVs will be carrying 15m passengers, producing FF 400 in revenue. Net profit is estimated at FF 700m after payment of interest charges of FF 1.6m and FF 400m amortisation of rolling stock and fixed equipment, and FF 1.3bn for running costs.

For a network whose losses were around £2.5bn last year, the TGV is more than a status symbol. It attracted new passengers at the rate of an estimated 8,400 a day in the first half of 1983. The average number of passengers using TGVs was 22,600 a day and average load factors of around 65 per cent and 100 per cent at peak times are achieved.

But SNCF's hopes that the proven success of the train on the Paris-southeast network would be followed quickly by the planned extension to the Atlantic coast have not so far been realised. Last week President Francois Mitterrand said the TGV Atlantique will definitely be built but it is not entirely clear how it will be

financed. Although the Government has promised to pay for 30 per cent of the infrastructure SNCF does not want to repeat the first TGV project which was financed by loans on the open market. Construction of the track cost FF 6,950m (1982 prices) and the 107 trains have cost FF 4,500m.

The Government recognises that SNCF, which already carries an enormous debt, should not finance the project alone. There are doubts, however, about the attraction of the Atlantic route, with a suggested return of 12 per cent on capital over 10 years against 15 per cent for the southeast routes. Far from voting more money to the railways, last week's budget cut the amount available for investment.

Meanwhile, SNCF and the manufacturers of the TGV—namely Alsthom Atlantique which makes the Lotus car and assembles the trains at Belfort—hope to convince potential buyers in the U.S., South America and South Korea that the fastest train in the world offers the best long-term solution to their future transport needs.

Bonn hails new missiles offer

By James Buchan in Bonn

THE BONN Government yesterday welcomed Washington's announcement of new nuclear arms control proposals, with officials hoping that they would help impress public opinion troubled by the prospect of new nuclear missiles in West Germany.

Herr Hans-Dietrich Genscher, the West German Foreign Minister, said President Ronald Reagan's new instruction for the U.S. team negotiating in Geneva over intermediate-range nuclear weapons reflected Bonn's views.

The new proposals, which have yet to be made public in detail, were discussed between Washington and the allies in exchanges of letters and in NATO's Special Consultative Group, which met in Brussels on Monday.

Chancellor Helmut Kohl and Mrs Margaret Thatcher, the UK Prime Minister who paid a short visit to Bonn, were quoted on Wednesday evening as saying the proposals made possible a flexible U.S. approach in the last round of the negotiations.

The proposals are said to permit Mr Paul Nitze, the U.S. negotiator in Geneva, to go further than in formally exploring elements of his "walk in the woods" formula of July, 1982. This unofficial deal, which was not accepted by Washington or Moscow, envisaged NATO deploying some missiles to match reduced Soviet totals in Europe, partly in nuclear-capable bombers and a limit to Soviet missiles in the Far East.

Herr Genscher said yesterday that the new proposals ought to make agreement in Geneva possible this year. But some officials doubt that the Soviet Union will prove any readier to make an agreement sanctioning new NATO missiles than it was to meet earlier demands that it remove all of its own missiles.

In these circumstances, Bonn is very anxious that public opinion should not hold the U.S. responsible for a failure of the negotiations. Officials are worried that Moscow, by insisting that British and French independent forces are quite adequate to match Soviet mis-

siles in Europe without new deployment, has found an argument which is plausible but highly dangerous to the West. While the new proposals are in line with Herr Kohl's public demand in the summer that the U.S. reconsider elements of the "walk in the woods," the domestic West German debate is likely to get sharper as the deadline for deciding deployment approaches.

Reuter adds from Geneva: Mr Yuli Kvititsky, the chief Soviet negotiator yesterday heard the new proposals, but indicated after a two-hour meeting with the U.S. delegation that he was no more hopeful of agreement.

In Moscow, Marshal Nikolai Ogarkov, the Soviet Chief of Staff, said that Washington was stubbornly preparing to deploy new missiles in Europe as the means for a first strike against the Soviet Union. Western diplomats said the tone of his comments, in an article issued by Tass, appeared to suggest Moscow would give a chilly reception to any plan which allowed the U.S. to deploy a substantial number of missiles.

Kohl faces first voting test since taking office

By Jonathan Carr in Bonn

THE WEST German centre-right coalition under Chancellor Helmut Kohl faces its first regional voting test this Sunday since it swept to victory in the general election of March 6.

More than 4.5m voters in the states of Hesse and Bremen will go to the polls after campaigns dominated by national issues—especially unemployment and nuclear missiles deployment.

In Hesse, Herr Kohl's Christian Democrats (CDU) aim to end a year-long parliamentary deadlock and form a government coalition with the liberal Free Democrats (FDP), as in Bonn.

But it is touch and go whether the FDP can surmount the "5 per cent hurdle," the minimum voter support needed under German law to win parliamentary seats.

If the FDP fails to return to the Hesse parliament this will not only destroy the CDU's coalition hopes and perhaps mean further political deadlock. It would also bring still tougher criticism of the FDP national

leader, Herr Hans Dietrich Genscher, from within his party.

In Bremen the SPD has traditionally formed the government and won a handsome 49.4 per cent of the vote in the last regional election there in 1978. But the state faces unusually severe economic problems.

The run-down in the shipbuilding industry, the difficulties of Germany's ocean fishermen and the steel crisis have combined to produce an unemployment rate in Bremen of nearly 14 per cent—well above the national average. The outcome of the Bremen election this time is fully open.

In both states the performance of the Greens, the party of ecologists, pacifists and other radicals, will be watched with special interest. The Greens are represented in the parliaments of both Hesse and Bremen, but there are signs of dwindling support for them. The SPD is adopting a more radical stance on the missiles issue, and attracting former Greens voters to its cause.

Italy to cut pre-trial detention

By Our Rome Correspondent

THE ITALIAN Government is to introduce measures to reduce the lengthy periods of detention which terrorist suspects, such as Prof Toni Negri, the missing Marxist MP, frequently undergo before trial.

Sig Mino Martinazzoli, the Minister of Justice, has announced that a plan to reform the system of preventive detention in Italy will be presented to Parliament next month.

The announcement came as Interpol launched an international search for Prof Negri. He had been elected on the lists of the tiny Radical Party after spending almost four years in prison before his trial on charges of inspiring the Red Brigades finally opened in February.

Prof Negri vanished this week following votes by his fellow MPs to strip him of his parliamentary immunity and authorise his re-arrest.

He is believed to be in hiding in France.

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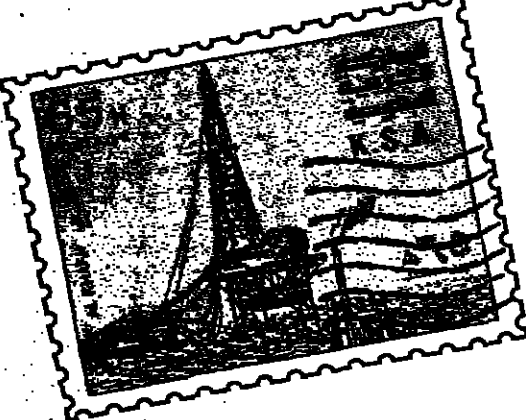
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AMERICAN NEWS

White House
woos
Hispanic
votersBy Reginald Dale, U.S. Editor,
in Washington

"MR. REAGAN'S idea of a statement to the Hispanic community is to point out he served enclanchado to the Queen." So Mr. Arnold Torres, director of the League of United Latin American Citizens, scathingly sums up the President's hyped-up "Viva '84" campaign to woo Hispanic voters, or, as they are sometimes now called, those "with Spanish surmises."

In the past six weeks, Mr. Reagan has had lunch with three groups of Hispanic leaders and businessmen, held separate meetings with Hispanic educators, public officials and reporters, addressed Hispanic veterans in Texas and Hispanic members of the armed forces in Washington.

The Hispanic community has moved into a key position in the White House election strategy with the recognition that most of the black vote—and much of the female vote—is a lost cause.

The fast-growing Hispanic community, now 14.6m according to the latest census, is still only half the size of the nation's 28m black population.

But the Hispanics are concentrated in six large states—New York, New Jersey, Florida, Illinois, Texas and California—which cast about three-fifths of the votes needed to elect a President.

Large numbers of Hispanics are disqualified from voting, either by age or lack of citizenship, but that still leaves a potential electorate of 5.5m, of whom only 3.4m are registered to vote.

The aim of both Republicans and Democrats over the next 12 months is not only to win over existing voters but also to register new ones. The Democrats have set a target of 1m registrations.

The Republicans' aim is to maintain or improve on the 30 per cent of Hispanics who voted for Mr. Reagan in 1980, against only 10 per cent of the black vote.

They claim Mr. Reagan's philosophy of hard work and strong family bonds fits neatly with Hispanic values.

On more specific social issues, they say, the Hispanics mirror the views of the majority, favouring the death penalty and opposing abortion. Black views tend to be precisely the opposite.

The Democrats are not impressed. They believe Hispanics have suffered most from Mr. Reagan's spending cuts and high unemployment, and that his policies are at last beginning to unite Mexican-Americans, Puerto Ricans and the more conservative Cubans who have been divided on political issues in the past.

Mr. Robert Garcia, a Puerto Rican Congressman from New York's Bronx district, last week claimed the median income of Hispanics has fallen by 14 per cent in three years and that Hispanic unemployment was now running at 12.9 per cent, against a national figure of 9.5 per cent.

The Democrats believe they can cut support for Mr. Reagan to well below 20 per cent of the Hispanic vote, perhaps to as little as 10 per cent. Hispanics are concerned about Mr. Reagan's belittling Central American policies, they say, and while Hispanics may be pro-family, "they also want their families to have enough to eat."

As Mr. Garcia puts it, Mr. Reagan, has done nothing other than wave his hands, flash a smile and make speeches. "You cannot eat charm," he says.

Back at the White House, however, officials insist the seemingly patronising line about serving such a small, fast-growing minority is actually doing better than it looks during this year—usually goes down rather well.

Air force attacks
Argentine airline
debt agreement

By PETER BAINS IN BUENOS AIRES

THE Argentine air force has publicly expressed its "dissatisfaction" with the terms and conditions of the re-financing agreement covering the \$280m (£187m) foreign debt of Aerolineas Argentinas, the state airline.

The agreement, with a group of foreign banks led by Morgan Guaranty Trust, provides for re-scheduling over seven years, with three years grace, at spreads of two points over U.S. prime rate or 2½ points over Libor.

The contract will be used as a "model" for the remaining public sector companies, which together need to re-schedule approximately \$7.5bn this year.

An unsigned air force statement said a meeting of brigadiers had "unanimously" expressed their dissatisfaction with the way the debt was re-negotiated. The navy also indicated it had not taken any part in the decisions.

The wave of protests has been directed at Jorge Wehbe, the Economy Minister and Sr. Julio Gonzalez del Solar, the central bank president.

Sr. Gonzalez del Solar left for the U.S. on Wednesday, followed by Sr. Wehbe yesterday.

Both will be attending the annual IMF World Bank meeting.

Critics of the agreement, including political parties and trade unions, say the annual interest payments, including agent commissions, will total about 14 per cent, and object to the choice of New York state courts to resolve any disputes over payment.

Critics also say the various public sector company re-schedulings are interrelated, so that a default by one would permit creditors to take legal action against others.

Before departing Sr. Wehbe defended the Aerolineas contract, saying: "It has been written in convenient terms and in accordance with many precedents that go back 20 years."

He insisted that the clauses now objected to were already in the original loan contracts before re-scheduling "and all we have done is included them again in the renegotiated agreement."

Although the political parties are furious at the conditions in an agreement reached only 40 days before the general elections, none of the main presidential candidates have suggested they should be repudiated.

UAW wins negotiating
rights at Toyota-run plant

By TERRY DODSWORTH IN NEW YORK

THE United Auto Workers' Union has won the right to represent 2,500 workers at the planned joint manufacturing venture between Toyota Motor Corp. and General Motors.

The UAW also won the right to share profits with GM at the plant, which will be based on its Corolla series.

The UAW compromised on the number of workers employed at the plant. When it was closed down, the workforce totalled 4,800.

It has also agreed to the formation of a new company to run the plant. This will affect pension rights which cannot be transferred from GM.

Opening of the plant is currently planned for early 1985, a few months later than the original schedule. But the timing depends on the attitude of the Federal Trade Commission, which is now investigating the agreement under anti-trust legislation on the grounds that it brings together the two largest motor companies in the world.

In addition, both Ford and Chrysler are opposed to the agreement.

small models to replace the Chevrolet.

Under the agreement, Toyota will run the plant, but with GM and GM will share profits.

It is expected that the Japanese group will also supply the main model design, which will be based on its Corolla series.

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Canada expels
Soviet diplomats

By Nicholas Hirst in Toronto

CANADA expelled two Soviet diplomats on September 12 for attempted spying but deliberately kept the expulsions secret for 10 days to avoid linking the expulsions with the conspiracy of the shooting down of the Korean Airlines airliner.

Mr. John Noble, External Affairs spokesman, said the two diplomats had been trying to buy top-secret high technology, but it was not known from whom or whether the information was military.

The diplomats worked in Montreal. Mr. Victor Tsekovsky was with the Soviet trade mission, and Mr. Anatoly Solovnikov was in the international secretariat of the International Civil Aviation Organisation.

Latin America
talks welcomed

By Hugh O'Shaughnessy

THE EEC has given a cautious welcome to the decision by the 26 nations Latin American Economic System (Sela) to seek a resumption of the talks between Latin America and the European Community.

At the end of a three-day ministerial meeting of Sela in Caracas on Wednesday the Latin American grouping expressed "the political will" to resume the dialogue broken off last year after the Argentine invasion of the Falklands.

In April this year Sela laid down strict conditions for the resumption of talks.

Latin American central banks chiefs meeting in Venezuela yesterday chose Sr. Jesus Silva Herzog, the Mexican Finance Minister, as the spokesman for Latin America at the forthcoming meeting of the IMF.

Indian car
buyers
queue by
computer

By John Elliott in New Delhi

A COMPUTER is to be used in New Delhi tomorrow to try to persuade more than 100,000 potential buyers of India's first completely new car since the 1960s that their orders are being handled without any of the corruption and bribery that often accompanies official decision-making here.

Deposits totalling some \$500,000 have been pulled in for the car, a Suzuki 800 cc which will sell for around Rs 50,000 (£3,300). This is far cheaper than the old models based on the Morris Oxford and Fiat 1100 of the 1960s, which are sold at present and cost Rs 80,000 to Rs 90,000.

The car will be made in a factory outside Delhi which will be the first in India to experience Japanese management techniques such as identical uniforms for all staff and an early-morning assembly with physical exercises.

The computer has been brought in both as a publicity stunt and to try to bring some order to the allocation of cars to people who will have to wait between three months and three years for delivery.

Few people believe that there will be no fiddles. The first owners of the car will be regarded with envy and admiration on the assumption that they must have found some way of infiltrating the new era of electronic decision-making.

The full egalitarian potential of the device, which in theory might enable a street tradesman to gain a prestige symbol ahead of a politician or bureaucrat, is in any case to be watered down.

Maruti says that people who are willing to pay extra next year for a de-luxe version of the car will be able to jump the queue to get a "first come first served" basis.

A total of 135,000 orders have been received for the car, including an estimated 10 to 15 per cent double-ordering.

Following a lead set by a couple of Indian sweater manufacturers who sometimes have order lists stretching to the end of the decade at present production levels, Maruti tried to deter frivolous ordering by introducing a Rs 4,000 deposit per car.

The \$500,000 this has raised at least 100 per cent of the cost of the car, but the deposit is being given to the would-be owners.

The company is not expected by the Government to make profits during the first two years on its basic models. It is scheduled to produce 20,000 in 1984-85, rising to 100,000 in 1988-89, and progressively moving on to 100 per cent of the cost of the car, but the deposit is being given to the would-be owners.

Maruti is taking half of the proceeds, saying this will reduce the car's price by perhaps 4 per cent, and the other half is being given to the would-be owners.

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Marcos warns of 'extreme action'

By EMILIA TAGAZA IN MANILA

PRESIDENT Ferdinand Marcos of the Philippines warned yesterday that he might resort to "extremes" if the anti-government violence which has rocked Manila continues.

President Marcos gave the warning on nationwide television following Wednesday's riots in which he said 11 people had died. The violence erupted after a peaceful rally by 75,000 protesters demanding President Marcos' resignation following the assassination of Mr. Benigno Aquino, the opposition leader.

President Marcos, visibly angered by the riots around the Presidential palace, said in his broadcast: "I warn the opposition—do not force my hand, do not compel me to take the extremes that you already know of."

This was an apparent reference to martial law which he first imposed in 1972, jailing thousands of his opponents including Mr. Aquino.

President Marcos said the opposition had misread as weakness his government's tolerant handling of the protests since Mr. Aquino's funeral on August 31. The opposition leader was assassinated at Manila airport on his return from exile in the U.S.

President Marcos warned that he may now instruct the military "to defend themselves with guns."

The continuing instability in the Philippines will cause concern among the country's allies and its foreign creditors and may increase pressure on President Ronald Reagan to cancel his visit there in November.

The organisers of Wednesday's rally, the Justice for All Movement for Aquino (JAMA), blamed the Marcos Government for the violent end of the rally. JAMA said: "This Government created the economic crisis and political uncertainty that broke out when Aquino was assassinated" and which the Filipinos are manifesting in various ways.

The opposition also said that instead of sounding the death knell for the legal opposition, Mr. Aquino's assassination had further strengthened their resolve.

Mr. Lorenzo Tanada, JAMA chairman, said a new coalition which will include all opposition parties is being formed. The coalition would push for President Marcos' resignation and would not participate in the 1984 election for the National Assembly.

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WORLD TRADE NEWS

Japanese agreement near on rescue of Singapore plant

By CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

OFFICIALS at Japan's Ministry of International Trade and Industry (MITI) said yesterday that they had "almost" reached agreement with the Ministry of Finance on the contents of a government rescue package for a deficit ridden ¥200bn (£500m) Sumitomo petrochemical complex in Singapore.

The package will probably include the subscription by a government agency of an additional ¥4.58bn to the capital of the joint venture company operating the project's ethylene plant.

Japanese private interests will then be expected to put up another ¥23.3bn for the capital of the operating company. The Japanese subscriptions, matched by a similar amount from Singapore, will be used to help the company pay off bank loans totalling ¥55.2bn on which interest is accruing at the rate of around ¥3bn per year.

The rescue plan for the Singapore project will mean that some ¥75bn worth of the total construction costs of the central processing facility will have been met out of capital contributions instead of out of a mixture of capital and bank loans as was originally intended.

A further ¥41.6bn of suppliers' credits may be re-scheduled depending on final discussions between MITI and the Finance Ministry.

The Singapore project, which is now virtually complete, consists of a 300,000 tons-per-year ethylene cracking facility flanked by three downstream plants, each of which is owned by a different international consortium. The company operating the central facility, Petrochemical Corporation of Singapore (PCS), is expected to lose heavily during the first year of operations as a result of delays in the completion of one of the downstream facilities.

The major private shareholder in PCS, Sumitomo Chemical Company, indicated yesterday that it was far from satisfied with the scale of government participation in the reconstruction of the venture. A Sumitomo spokesman suggested that the Singapore Government would also voice disappointment with the Japanese offer.

The sum fixed upon in discussions between MITI and the Ministry of Finance means that the Japanese Government will hold a 10 per cent stake in PCS after plans for capital enlargement have gone through.

Under the original plan for the project the Overseas Economic Cooperation Fund (a government-funded aid agency) was to have held 15 per cent of the capital of PCS.

China set to sign French coal study deal

By Colina MacDougall in Tianjin

THE TIANJIN (Tientsin) International Trust and Investment Corporation (TITIC) is expected to sign a contract for a coal mine feasibility study with the French company Charbonnages de France, Fan Yonghong, vice-chairman of TITIC told the Financial Times on Saturday.

A French team is due here in November for more discussions, which it is expected to lead to an agreement following a visit by TITIC officials to France at the end of last year.

A new mine in the Tianjin area—which is near the coast south-east of Peking—will have an importance well beyond its size since China's big coalfields lie far inland.

Coal deposits north of Tianjin, China's third largest city and a leading industrial centre, have been recently surveyed and are estimated at around 680m tons.

The coal was found during explorations for oil and lies some 600 metres below the surface. It will be used in Tianjin for power generation and gas.

The size of the joint venture is not yet fixed, but a mine with a capacity of 1m tons needs \$100m worth of investment.

William Chislett reports that exporting goods, not revolution, is now vital

Why Cuba is scrambling for hard currency

FIDEL CASTRO once joked that if it was true that Cuba was exporting revolution then the country would have no balance of payments problems.

Whether Cuba is exporting revolution is a contentious issue, but there is no doubt from the drive under way to increase exports to the West and cut imports that Cuba is suffering severe financial problems.

The country is so desperate to earn convertible exchange to help service its total hard currency foreign debt of \$3.2bn (£2.1bn) to western banks, which it is rescheduling, that it is prepared to export buses, although there is a pressing need for more of them in Cuba.

The country's noisy and uncomfortable buses are packed tight with passengers.

Cuba estimates that the 21-year-old trade embargo imposed by the U.S. has cost the country \$8bn. Cuba is only 90 miles off the southern tip of Florida, but the western share of imports, a small but vital amount needed to maintain economic development, has to come from much further afield in Europe, Japan and Canada at considerable extra cost.

Before Castro's revolution in 1959, three-quarters of exports, mainly sugar, and 65 per cent of imports were accounted for in trade with the U.S. Today the Soviet Union and Comecon countries account for over 80

per cent of total trade turnover and in highly preferential conditions. A U.S. Congressional report last year claimed that the trade embargo has "condemned and will continue to condemn the economy to continued stagnation."

The two countries' sugar-oil deal is the key to Cuba's economic survival. Cuba is paying \$170 a tonne for its Soviet oil this year, according to Sr Miguel Castillo, the deputy trade minister. This works out

at \$24 a barrel, well below the international price. Cuba also receives a discount on this price.

Moscow has "guaranteed" 61m tonnes of oil during 1981-1985, and is allowing Cuba to sell on the international market any oil which it saves from this quota. By using its oil sparingly, Cuba hopes to earn as much as \$200m a year between now and 1985. Sr Castillo said the Soviet Union sells some of the oil on Cuba's behalf and takes a commission.

Cuba pays for its oil with sugar which the Soviet Union buys for 36 cents a pound, compared with the current depressed world price of 9 cents. The country also receives free military aid and a price higher than the international one for its nickel exports. Last year Soviet aid to Cuba totalled an estimated \$4bn, or about \$11m a day—more than a dollar a day per head of the 9.7m population.

But Moscow is not bailing Cuba out of its hard currency debt problem. Moscow is beginning to be stretched by the demands made on it by all its satellite states.

Cuba, therefore, has to try to increase its exports to the West, as its trade with socialist bloc countries is largely in soft currencies, and also reduce imports from capitalist countries. East European air conditioners are replacing Japanese ones and priority is being given to meeting sugar contracts with western countries.

Not only are sugar prices low, although they have started to climb—but also this year's sugar harvest is estimated at 6.7m tonnes, 1.5m tonnes less than last year because of devastating rain.

This will make it impossible for Cuba to fulfil its International Sugar Organisation quota of 2.4m tonnes with the West and also meet contracts totalling some 4.5m tonnes to socialist countries, including China, and find 500,000 tonnes too for domestic consumption.

Imports are officially forecast at 650m pesos (\$780m) almost the same as in 1982, and, according to Sr Castillo, only \$80m more than the bare minimum of \$700m needed to prevent a drastic slowdown of economic development.

For example, Cuba has to import \$130m worth of spare parts a year from the West for its sugar industry which it either cannot obtain from socialist countries or the quality is poor. It is said that a Soviet-made chain for a sugar cane harvester lasts a year and a western one three years.

Cuba is particularly keen to boost its sugar sales to Canada with whom it ran a CS225m (\$123m) trade deficit in 1982. This would "mean diverting sugar away from socialist bloc countries, unless bumper harvests develop."

Exports in hard currency will decline by 354m pesos (\$272m) this year to 1,02bn pesos because of the low sugar price and poor harvest.

Imports in hard currency less than 15 per cent of total

The hard currency trade surplus will be almost halved to 278m pesos (\$453m) and the deficit with socialist countries reduced from 1.2bn pesos (1.2bn roubles) to 820m pesos.

However, there are several promising developments. Cuba is a low cost producer of citrus fruits and could be the world's second largest exporter by 1985. The country is also a relatively cheap producer of nickel and by the 1990s could be producing 100,000 tonnes a year compared with 42,000 tonnes at present.

Cuba is also pressing ahead with marketing its civil engineering and other technical skills. There are about 30,000 Cubans working in a non-military capacity in Third World countries. Cubans are building a cement plant in Ethiopia, roads in Libya and an airport in Grenada.

There is a potentially sticky problem looming over the price Cuba pays for its Soviet oil. Officials are pointing out that if prices continue to drop or even stabilise at their present levels, the price which Cuba pays will become less and less preferential and conceivably could end up higher than international prices unless changes are made to its pricing formula.

"If we reach the stage where we are paying more I suppose Washington will say we are being exploited by Moscow," quipped Sr Castillo.

Tokyo-Moscow trade talks delayed

TRADE TALKS between Japan and the Soviet Union, scheduled to begin in Moscow on October 4, will be delayed by about a week because the Japanese side has not completed its preparations. Reuter reports from Tokyo.

The Foreign Ministry said the postponement of the meeting, the first of its kind since January, 1981, was not in protest over the recent shooting down of the Korean airliner.

Israel potash accord

THE Dead Sea Works have signed a 10-year contract to supply 100,000-300,000 tonnes of potash annually to Mississippi Chemical of the U.S., writes L. Daniel in Tel Aviv. The potash is to be shipped to Pascagoula, on the Mississippi Gulf.

EEC trade barriers

Some 44 per cent of respondents to an American Chamber of Commerce survey of U.S. companies in Belgium reported that the passage of their goods had been delayed by border formalities. A Financial Times reporter incorrectly stated that just 4 per cent of those surveyed reported border formality delays.

Polish shippers, ports increase transit business

By Christopher Bobinski in Warsaw

SQUEEZED BETWEEN falling freight charges and growing freight charges, Poland's merchant shipping companies, ports and ship-repair yards have all reported a drop in incomes in the first half of the year compared to the same period in 1982. But with spare capacity in the country's ports, efforts to increase transit traffic are bearing fruit.

The volume of freight carried by both PZM, the Szczecin-based bulk carrier and PLO from Gdynia, was just over 16.5m tonnes up to June 30, 6 per cent up on the first half of 1982 and slightly ahead of planned targets.

Transit cargoes were up 41 per cent at just under 1m tonnes, while freight carried between Polish ports was down by 10 per cent.

Thanks to a Soviet decision to ship 2m tonnes of its oil exports to the West through modern port facilities in Gdansk this year, oil transit traffic through the ports grew by 44 per cent in the first six months on the same period last year.

Easing the tangle of world tariff rules

By NANCY DUNNE IN WASHINGTON

"MY JOB is to define broccoli and steel," says Mr Gene Rosen, director of the Office of Tariff Affairs in the U.S. International Trade Commission (ITC).

It is an arduous task, made especially difficult as many trading nations begin a final push to bring into harmony their national tariff classification systems.

For decades the international trading community has struggled with a number of diverse duty classification systems, employing different product categories, numbering systems and organisational formats. These differences often produce nightmarish complications in negotiations of trade disputes, and in the preparation of Customs and transport documents, not to mention in the analysis of trade data.

But long overdue changes are in the works. The Customs Co-operation Council (CCC), the Brussels-based international body dealing with Customs matters, worked for 10 years developing what is known as "The Harmonised Commodity Description and Coding System."

Negotiations were completed in June, and all developed and many developing countries are now in the process of adapting their present tariff schedules to the nomenclature of the harmonised system.

The harmonised system which is emerging is a highly detailed classification scheme which reflects recent changes in and user requirements. Simplified technology, trade patterns and user requirements. Simplified compared with past systems, it is still a highly complex document comprising approximately 5,000 article descriptions, arranged into 98 chapters and grouped into 20 sections.

The proposed format does not impose any requirements for tariff rates. It is a "code" system, which permits individual countries adopting it to make further product sub-divisions according to their particular tariffs or statistical needs.

The current international timetable calls for completion

of all domestic preparations for implementing the system by January 1, 1987 when it is scheduled to go into force internationally. For the U.S. and Canada, which have the most changes to make, the change over will be a particularly difficult chore. It will be less burdensome for the EEC and the 51 nations which now use the Brussels tariffs nomenclatures, an outdated version of the proposed new system.

Harmonisation is expected to bring with it many benefits. The system's designers say it will facilitate and reduce the cost of exporting, ensure uniformity and predictability in customs classification, reduce the expenses incurred by re-describing and re-classifying goods as they move from one system to another and promote greater understanding in trade agreements.

Under the system, each country will publish its external trade statistics in conformity with established codes. The standardisation of trade data will increase the accuracy and comparability of statistics and ease documentation and transmission.

In the U.S., Mr Rosen's office began working on a draft of the proposed U.S. tariff schedule in 1981. Over 7,000 "line items" had to be simplified and reclassified without significant rate changes.

The next step in the U.S. approval process will be a series of public hearings to be held across the country in November to solicit industry and labour comment about the proposed changes. If all goes well, the Administration will make a formal decision to proceed with the system and submit it to Congress in 1985.

Adoption of the harmonised system will also require negotiations in Geneva with trading partners of the General Agreement on Tariffs and Trade (GATT). Under GATT, nations making commitments to maintain certain levels of tariff protection cannot unilaterally increase duties above these levels without negotiations.

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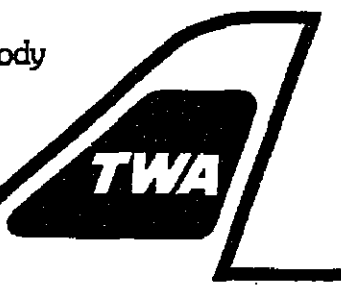
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UK NEWS

Housing bears the brunt of Treasury cuts

BY ROBIN PAULEY

HOUSING WILL be hardest hit in public expenditure cuts this autumn. Mr Nigel Lawson, Chancellor of the Exchequer, is planning to cut cash for home improvement grants and take more than £500m off local authorities' capital cash limits.

This will provide Mr Peter Rees, Treasury Chief Secretary, with more than a fifth of the £2.5bn in cuts which he is seeking from departments so that next year's planned total of £126.4bn for public expenditure can be kept on target.

The Treasury argument in favour of so large and potentially controversial a cut in housing is that it merely reflects persistent under-spending by councils on their housing capital projects.

In 1982-83 councils underspent the total cash limit of £2.4bn by about £200m in spite of a campaign by Mrs Margaret Thatcher, the Prime Minister, and her Cabinet colleagues urging them "to spend, spend, spend" on capital projects and repairs, partly to aid the depressed construction industry.

One problem for the Treasury was that the former Housing Minister, Mr John Stanley, had Cabinet backing to promise councils that their housing investment programmes (HIP) for 1984-85 would be not less than 80 per cent of this year's £1.875bn. This implies a cut of only £375m to £1.5bn.

But, exceptionally, this year specific allocations for home improvement grants were made, and as part of the campaign to reduce under-spending councils were told they could exceed those limits and spend as much as they wished on items such as improvements and repairs.

Mr Ian Gow, Housing Minister, and his officials thought they had made a deal with Mr Rees, under which increased spending on home improvements would be able to continue. But this was countermanded by Mr Lawson, who has taken absolute control of Mr Rees's brief and is insisting that no cuts are to be diluted with concessions.

So this specific amount - about £500m - will be removed and the lower HIP will be regarded as capital allocations for housing projects including home improvements. The Treasury argument is that this is not in any way a stop on housing capital spending or home improvements.

The cut represents an amount which is, anyway, not going to be spent if past experience is any guide. Councils have at their disposal growing reserves of money from the sale of council houses and land which they have tended to bank rather than spend on new capital projects. Unspent capital receipts now total more than £2bn.

BP offer heads for warm reception

BY OUR FINANCIAL STAFF

SHARES IN British Petroleum (BP) yesterday surged 8p to 434p, and the City of London was last night confident that the Government's tender offer of 130m BP shares would meet with a very warm response by investors.

Last Friday the Government announced that it would accept offers

of at least 405p per share, to net more than £500m.

The offer does not close until 10 am today, but the indications last night were that the Bank of England would receive applications at around 430p for about twice the number of shares actually on offer.

The Government and its advisers

will spend the weekend deciding on the eventual striking price.

If the Government were to decide on a striking price of 430p, it would receive about £530m, after expenses. The BP sale represents the single most important component of the plans to raise £1.25bn this financial year from the sale of state-

owned assets. The Government will retain a 31.73 per cent stake in BP. Institutions are being asked to subscribe some £35m to finance the management buyout of two chains of clothing retailers, John Collier and Richard Shops, from Hanson Trust which acquired them as part of the UDS group earlier this year.

Workers plan blockade on GM imports

By Brian Groom Labour Staff

AN ALL-OUT strike threatened by Vauxhall's 14,500 manual workers over pay could begin on Tuesday, trade union officials at the Ellesmere Port plant in Cheshire said yesterday.

Unions are also threatening to blockade ports to halt imports of Vauxhall/Opel vehicles. Plans to send flying pickets to the docks are well advanced, and local union officials expect to receive official backing from the Transport and General Workers' Union, which would try to enlist the support of its dockers and car transporters' drivers.

The strike is likely to go ahead if the company fails to raise its offer, worth 6.5 per cent over 15 months, at a negotiating meeting today.

Last night Vauxhall was still insisting that the pay offer was final, but there was room for discussion on the duration of the agreement and on fringe items.

Liberals face rift on defence policy

BY PETER RIDDELL, POLITICAL EDITOR

DIFFERENCES on defence policy within the Liberal/Social Democratic Party (SDP) Alliance and between Mr David Steel, Liberal Party leader, and his activists, were heavily underlined yesterday.

More than 600 delegates at the Liberal Party's annual assembly in Harrogate signed a petition pledging outright opposition to the siting of cruise missiles in Britain.

The petition, organised by a Liberal peace group, reopened a long-running controversy over the party's nuclear weapons' policy. At the Assembly two years ago, the party was committed to rejecting and campaign-

ing against the siting of cruise in Britain.

At the time, Mr Steel said he would not support the decision, and since then both his view and that of the Alliance collectively has been conditional, saying that a final decision depended on the outcome of the Geneva disarmament talks.

At the SDP conference last week, Dr David Owen, party leader, made it plain that the SDP would not reject cruise simply because of the absence of any dual-key arrangement to ensure U.S./UK control.

However, yesterday's petition repeats the earlier unconditional op-

position to cruise, and calls upon the party to give clear lead in Parliament and to the country in opposing the siting of the weapons.

The possibility exists, therefore, of a clash within the Liberal Party and within the Alliance. The two parties have already voted in different ways over the defence estimates.

But Mr Steel did have the satisfaction yesterday of seeing Mr Cyril Smith, one of the most vocal critics of the Liberal leadership, routed when the assembly rejected proposals by him and two other MPs to create a new post of deputy leader.

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Dockland airport proposals: John Winton reports

Reversing Britain's decline: The state of British industry reviewed by Sir Peter Carey

Motorfair 1983: Stuart Marshall reports on the latest models

The Christian apprenticeship: Sir Arthur Bryant on the foundations of British society

Great coats for winter: Ann Boyd makes her choice

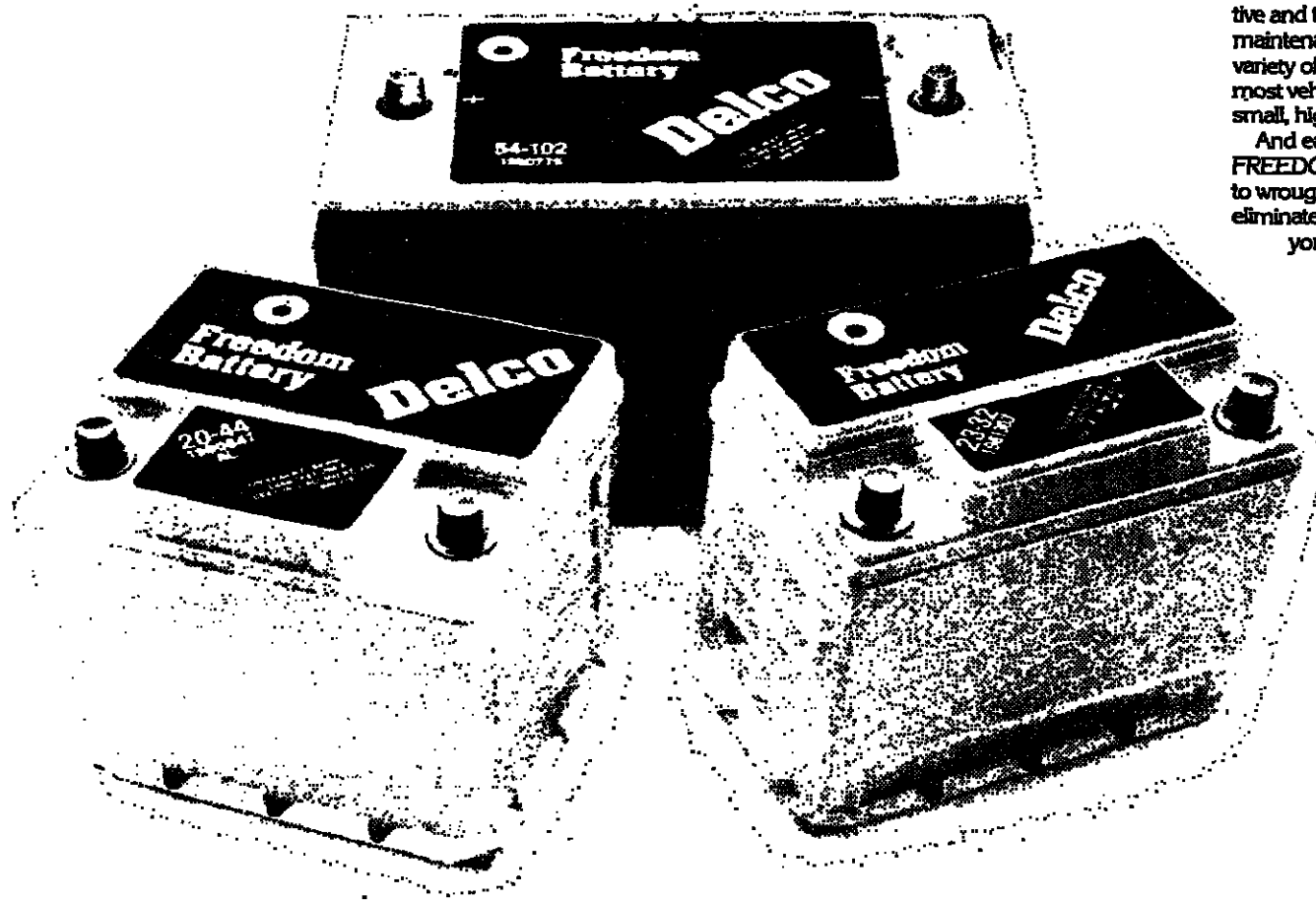
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UK NEWS

Marathon's North Brae plan likely to be approved soon

BY RICHARD JOHNS

THE GOVERNMENT is expected in the next few weeks to approve Marathon Oil UK's plan to develop North Brae, which promises to be Britain's first offshore field producing only condensates, or ultra-light oil.

Marathon submitted its application to the Energy Department in June and aims to start production of condensates in 1988. It estimates the total cost of the project, one of the costliest single-platform developments in the North Sea, at £1.7bn.

North Brae on block 18/7, 130 miles east of the Orkney Islands, also forms part of one of the most interesting complexes in the UK continental shelf.

South Brae, a geologically related though separate oilfield, started production in July. It is currently running at 38,000 barrels a day (b/d) from a single well and should increase to a peak of 112,000 b/d, including 12,000 b/d of condensates, in the first quarter of 1984.

Block 18/7 also includes other oil and gas prospects being assessed by Marathon, in particular the Central Brae structure, which could prove to be commercial.

North Brae should have a peak

production of 75,000 b/d of condensate, with reserves estimated at 200m barrels. Output of associated dry gas would not be scheduled until 1997 because in the early phase of the field's life it would all be required for reinjection to maximise recovery of condensates. Gas reserves are put at a minimum of 800bn cu ft.

The plan is to transport the gas and condensates via the pipeline from South Brae and onwards through British Petroleum's much bigger Forties field system. Condensate and liquid petroleum gas (propane and butane) would be separated at BP's Kinneil processing plant.

At present values, the cost of development is estimated at £1bn, but another £500m has been allowed to take account of inflation. In addition, around £200m will be spent in 1985 on gas sweetening facilities.

Marathon, which has a 38 per cent stake in the venture, is operator on behalf of a group which also includes Britoil, Bow Valley Exploration (UK), Kerr-McGee, Westar Exploration (UK), Westar Oil (UK), L.L. & F. (UK), Sovereign Oil and Gas and Saga Petroleum (UK).

Insurers lift share of political risk market

BY CHRISTIAN TYLER, WORLD TRADE EDITOR

PRIVATE-SECTOR insurance of companies' foreign investments and exports contracts against political risk has more than quadrupled to \$35bn in four years, it was claimed yesterday.

The international market in political risk insurance has grown to the point where it could in some areas challenge the traditional dominance of government agencies such as the UK's Export Credits Guarantee Department (ECGD).

According to brokers Berry, Palmer & Lyle, one of the newest entrants to the field, the private sector insured only \$7.5bn worth of investments and contracts in 1979. Premium income from political risk cover rose from \$14m annually that year to \$90m last year, and could reach \$125m in 1983.

The growth of the private market is said to be due partly to pioneering work in London, capital of the world insurance industry, and partly to political upheavals starting with the revolution in Iran four years ago.

The ECGD, which has been watching this development closely, does not believe the private sector

yet constitutes a serious challenge to its own business. But yesterday's figures could lend weight to moves by British brokers, underwriters and exporters to have some of the ECGD's functions turned over to the private sector.

A Government-appointed committee has just started a review of the ECGD's status and operations. This could lead at least to closer co-operation between public and private sectors.

Mr Charles Berry, managing director of the new company, said the international underwriters could offer policies tailor-made to individual exporters with business in politically unstable markets.

The private sector was handling cover for short-term export credit for foreign assets and for barter deals. It could also insure credit extended by importers awaiting delivery of goods from countries where exchange controls were being tightly applied.

Political risks include government default, trade embargos, import restrictions, expropriation of assets and the like.

Fram merges car filter operation with Fiaam

BY ROBIN REEVES, WELSH CORRESPONDENT

FRAM EUROPE, based in Llantrisant, South Wales, and Fiaam of Italy, are to merge their automotive filter manufacturing operations in a move to create Europe's second largest producer of filters for the motor industry.

The new company will have a combined turnover of £40m - slightly less than that of the West German filter producer, Mann and Hummel. It will be 60 per cent owned by the Italian holding group CIR, and 40 per cent by the U.S. Fram Corporation, until now the respective parents of the Italian and Welsh companies.

Fiaam previously produced automotive filters under licence from Fram U.S., a subsidiary of Bendix which, in turn, is now owned by Allied Corporation. The new business

will continue to operate as a licensee of Fram Corporation with access to the U.S. company's research, development and production resources.

Mr Emrys Thomas, managing director of Fram Europe's automotive business, said the merger was designed to strengthen the competitive position and improve the job security of employees in both manufacturing operations.

He forecast that by the end of the decade there would be no more than three European automotive filter manufacturers.

Fram Industrial, which employs 45 of the 525 workforce at Llantrisant, will continue to be a wholly owned subsidiary of Fram U.S., but will shortly move to new premises near Llantrisant.

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Godfrey Davis

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probably the strongest protection cell in the automotive world.

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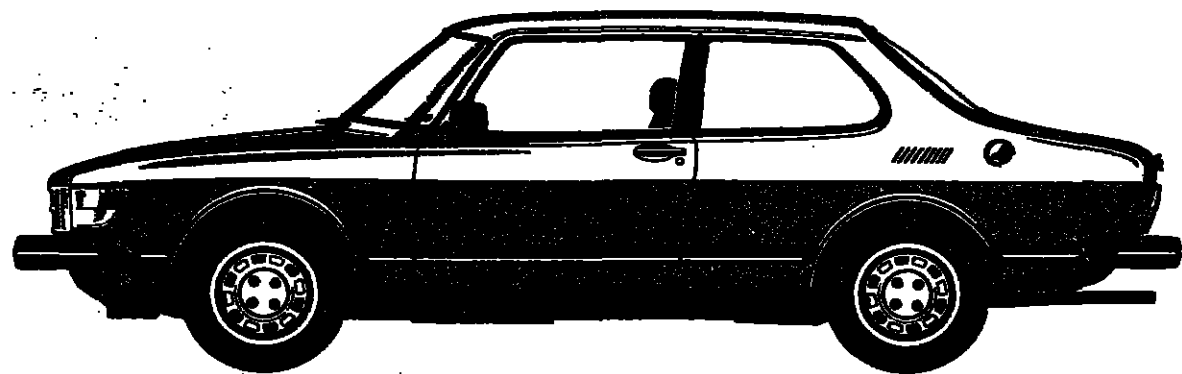
Of course, eventually our competitors started to copy us.

But we haven't rested on our laurels. Recently we've introduced the second generation of turbos called APC (Automatic Performance Control), that have an electronic brain to give even better turbo performance and greater economy.

You'll also notice for the top of our range models we're offering some real luxury features.

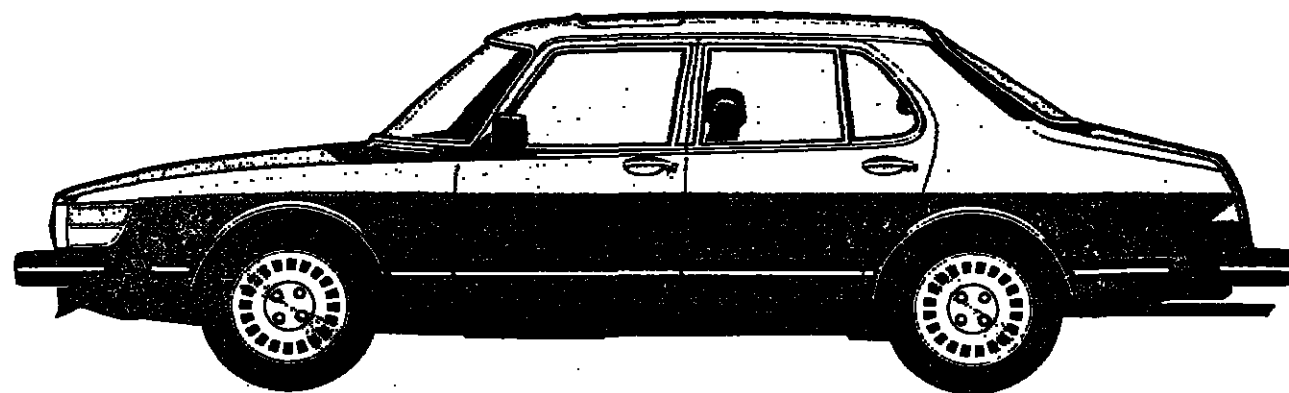
We admit these models start at just over £13,000. But then you'd expect to pay a few more pounds for a true life of luxury.

And you've still got the reassuring thought that if you only meet us half way, you've still got quite a few **SAAB** of life's little luxuries.



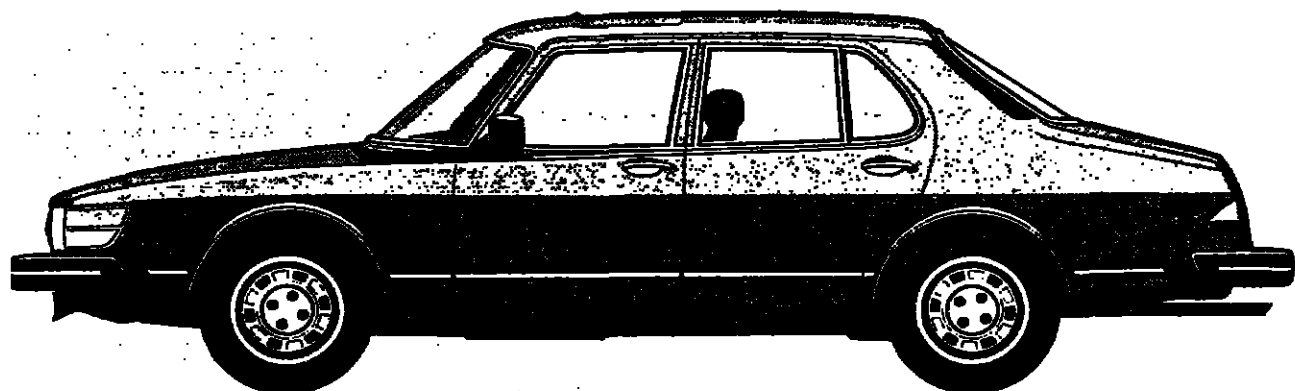
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The luxury of having all the essential Saab features, many of which are expensive extras on other cars.



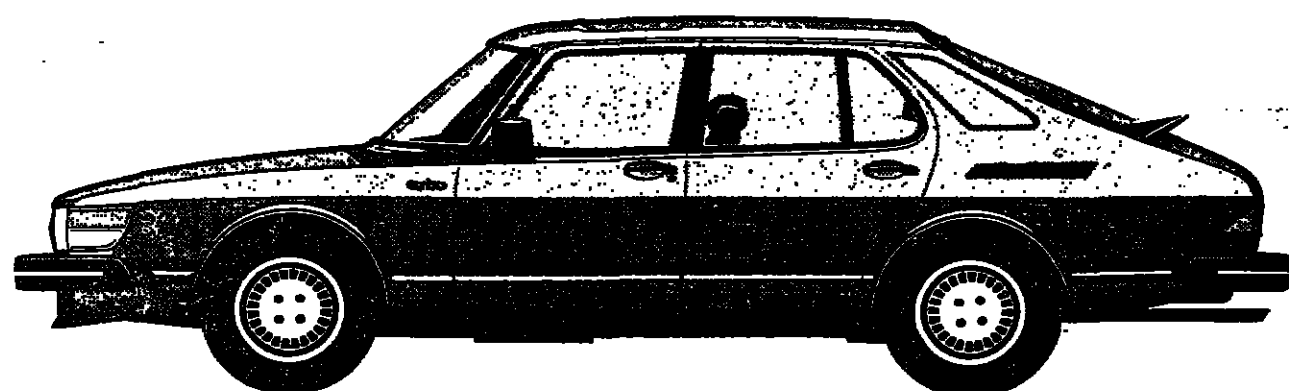
The 900 GLE 4 door From £9,990

The luxury of a smooth fuel injected engine with automatic transmission. Plus electric windows, tinted glass, and luxury upholstery.



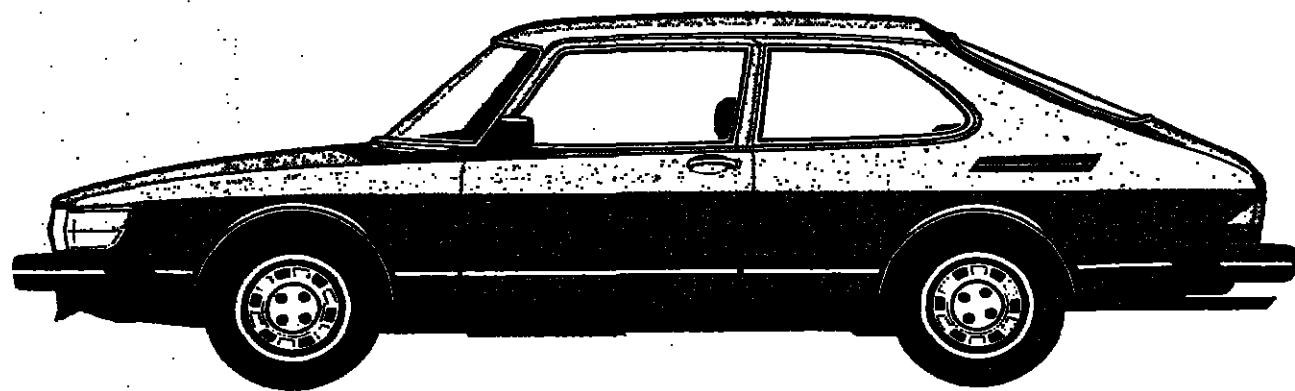
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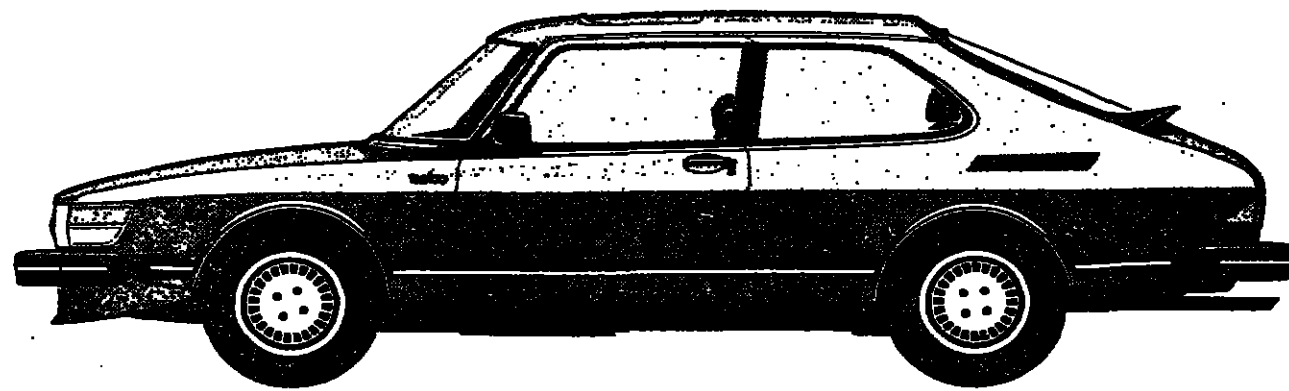
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The excitement of the 145 bhp APC Turbo with the luxury of alloy wheels, electric mirrors, central locking, electric windows and tinted glass.



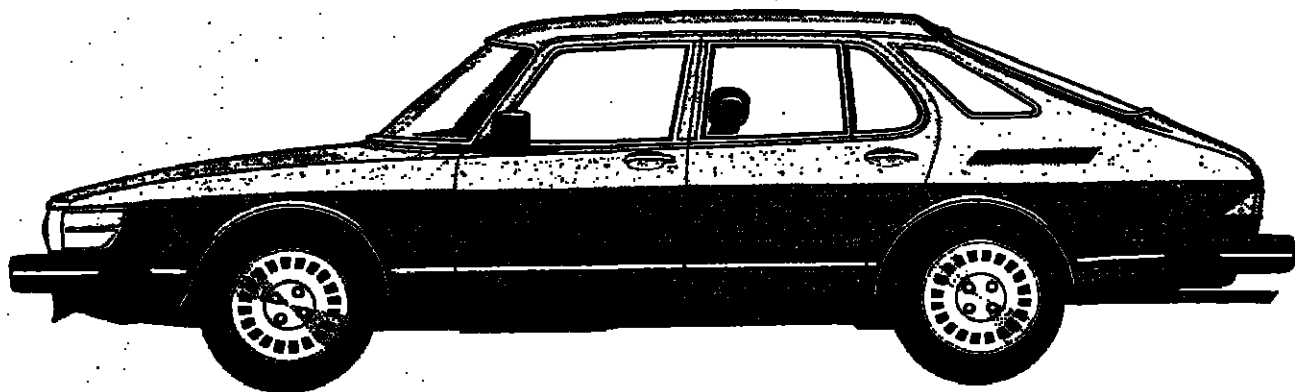
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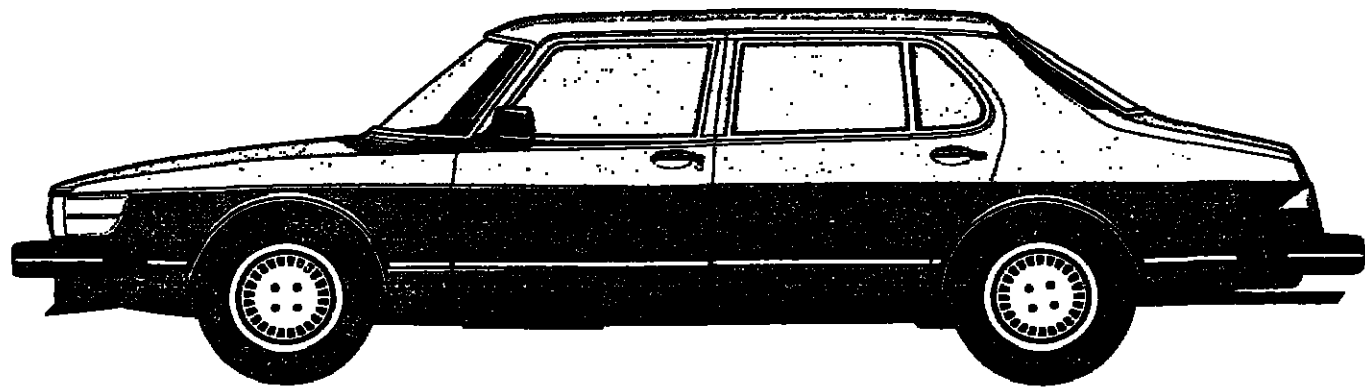
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Here's how:

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The deal:

You mustn't run away with the idea that Dunlop has been sold to the Japanese, lock stock and tennis racquet.

What is being sold?

Some parts of the UK tyre division, and the European tyre division, excluding France.

These are being acquired by the Japanese company, Sumitomo Rubber Industries.

Sumitomo and Dunlop are hardly strangers to each other, since the two companies have been co-operating technically and commercially for more than twenty years. Both partners have

benefited, as the Japanese would be first to acknowledge.

How can Dunlop call it a success?

For quite some time the main thrust of Dunlop's business activity has been moving away from tyres.

Just consider how diverse the company has become. You're probably familiar with our golf balls and tennis racquets. But did you know that Dunlop make products as different as carbon aircraft brakes, floating oil hose for the North Sea, Dunlopillo foam – even shoes?

With this deal, we'll be able to invest more time, money and effort in these products all around the world. And nearly all of them are in expanding markets.

How can Sumitomo call it a success?

Sumitomo won't just be buying factory space in Europe.

Their commitment to the Dunlop

brand name is total. It has to be, since it's one of the strongest brand names in the world. In fact, the tyres made and sold by Sumitomo in Japan are branded 'Dunlop'.

As the first Japanese tyre maker to acquire manufacturing facilities in Europe, the brand name is even more important.

Add to that their guarantee of continued technical co-operation, and our ability to operate on a world-wide scale and you'll realise that the future of the Dunlop brand name is guaranteed.

How can you call it a success?

If you drive a car fitted with Dunlop tyres, drive a Dunlop golf ball, hit a Dunlop tennis ball with a Dunlop racquet or sell any of these products (plus 140-odd more), you can be certain of one thing.

They will all be improved as a result of this deal.

Improved products mean better sales. And better sales can only be good news for everyone involved with Dunlop.

And most important of all, if you work for Dunlop, you can rest assured that the majority of the workforce will carry on in the jobs that they hold now.

A success all round?

Obviously, it's not possible to go into every aspect of the deal in the space available here. But it can be summed up like this: it means the continued production in Europe and world-wide of some of the world's finest motor tyres, still bearing the Dunlop name.

It means that Dunlop will have a new chance to go from strength to strength.

And we hope that in the years to come this will lead to the creation of jobs in the UK.

So, we have a new deal for Dunlop, which seems to benefit everyone concerned.

And, take it from us, if we didn't know that it would, we'd never have done it in the first place.

 **DUNLOP**

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

THE world's most acclaimed management guru sinks back in his chair, waggles one garbled finger, and in a strong central European accent pronounces with typical panache: "My best ideas have only one moving part."

Encoined in his plush suite at London's Savoy Hotel (his encyclopaedic mind knows every detail of its chequered history), Peter Drucker is defending himself against the allegation that his famous aphorisms on management, and a lot else besides, are often simplistic, not to say obvious.

At the age of 74, and with the business world almost as much at his feet as it has been for 40 years, virtually since he arrived in the U.S. from his native Austria (via the City of London), Drucker can well afford to counter such criticism by embracing it. Drawing on the old engineering adage that the most effective machines are those with the fewest moving parts (one of Drucker's most powerful devices has always been the use of analogy), he makes no apologies for simplifying things to the very limit.

"Those are very busy people," he says of the high-powered executives he has been addressing over the past 10 days in Vienna and London, under the auspices of Management Centre Europe. Some of them are specialists in their late 30s or early 40s, bound for greater things in general management, and in need of "broadening out." Others are already at the top, but are besieged on all sides by the overwhelming pressures of running an enterprise.

To the first group, many of Drucker's pronouncements will be new—on Japan's upcoming problems; "Kondratieff long-wave cycles"; the inadequacies of Britain's financial system; and so forth. Even in the inadequate amount of time they spend reading about the world outside their companies, the second group will have come across most of the ideas at least once before, whether via Drucker's gargantuan outpourings of the printed word (15

books so far, and newspaper articles by the thousand), or through someone else's writings in a management journal or a newspaper (this one?).

But the points Drucker makes will seldom have come over in such a bald and forceful way. Even if they have, the odds are that they have never really sunk in. As one battle-worn managing director said on Wednesday after listening carefully to Drucker for two days, "It's just like the way I tell my salesman to get through to the customer. I always knock it into them that they must say the same thing at least six times if they want to have any effect. It needs to be put in a different way each time, but without repetition you never really get the message across."

All of which also goes some way to explain the phenomenal and continuing success of Tom Peters and Bob Waterman, putative Druckerians whose book "In Search of Excellence" (see this page January 31 1983), has been high in the U.S. non-fiction best-seller lists for nine months. Not surprisingly, with its central message of "keep things simple," Drucker is an admirer of the book, though like the true old pro that he is—always ready to knock the competition—he says it might just have gone a bit too far in its quest for effect through simplicity.

But even he can't quite explain why "Excellence," as he puts it, "managed to squeeze sex and cooking off the top of the lists" for so long.

Though the book deals mainly with the success of large corporations, it may be particularly attractive to the

Drucker and the art of studied simplicity

BY CHRISTOPHER LORENZ



Peter Drucker: "I'm really only an old journalist"

mass of new American entrepreneurs which has sprung up over the past few years, all of them even more harassed than the large-company executive, and all desperate not to miss out on the latest holy grail. Its success also reflects growing American disenchantment with the "management science" school of thought in which most of the nation's business graduates were trained before they were catapulted into positions of greater or lesser power in the body corporate.

But it would be doing Drucker an injustice to lump

him too closely together with Peters and Waterman, who are essentially interpreters and classifiers of other people's experience and ideas—very high-class journalists, in other words.

The grizzled Drucker does tend to break into an impish grin on occasion and mutter disarmingly, "I'm really only an old journalist, you know." Some of his pronouncements do have a decidedly journalistic ring about them. Others scythe straight to the heart of the matter in a provocative and revealing way that few journalists

can emulate. Nor, probably Peters and Waterman. After all, 40-year-old Peters is only just starting to earn his spurs in the hot-house intellectual world of academia (both he and Waterman were McKinsey consultants when they wrote the book), whereas Drucker was already sharpening his 30 years ago.

"All of us business academics owe an enormous debt to Drucker," says Professor Dean Berry, who studied and taught at several U.S. business schools before becoming dean of INSEAD in Paris and then chairman of the Centre for Business Strategy at the London Business School. "Here at last was someone who could talk about theory and practice at the same time," recalls Berry. "He elevated management to the level of an academic discipline. Places like Harvard were ecstatic."

Why Drucker has never actually taught at Harvard has been a mystery to many: he claims to have refused four offers of a professorship from several parts of the University including at least one from the Business School. The way he puts it now, the reason was simple—if surprising. "The place is too academic," he says—precisely the opposite of the allegations most critics throw at the Business School.

It is when his feet are firmly in the classroom that Drucker is most in his element; he says he "loves teaching," but finds supervising theses "a dreadful bore—only one in a thousand is worth looking at, the rest are merely competent." Yet he is staying on as professor of social science at Claremont

Graduate School, near his home in California, and has just taken on the extra post of professor in oriental art—one of his many extramural interests.

In his London classroom this week, confronting businessmen who had flown in specially from all over Europe, Drucker was if anything even crisper and more incisive than on several visits in the late 1970s. His most scathing comments, appropriately enough at his age, were about the failure of European governments to appreciate how dramatic will be the social and economic impact of the ageing of population throughout the industrialised world.

With the demographic balance shifting sharply from young to old, as the number of young people falls and the rolls of the over-60s explode, "supporting old people will become the central political and economic problem of all developed countries," he declared. The problem would defy all the traditional models and political theories.

By reducing the retirement age under the pressure of high unemployment, Drucker went on, Europe's rulers were doing precisely the opposite of what they should be doing: strains on public expenditure were to be avoided in the 1990s and beyond. Instead, Europe ought to ape the American pattern of letting people retire later, so they can earn their own keep in the meantime.

Because of the fall in the youth population, there would also soon be a dire shortage of manual and semi-skilled workers, Drucker forecast. Within a few years it would be fruitless to worry about the productivity of manual labour, because there just wouldn't be enough workforce—everything would have to be automated, in any case. The Japanese, declared Drucker, had already given up worrying about the problem of labour productivity. They were typically trenchant overstatement, perhaps, but as a simple device for forcing people to face unsettling realities, a classically effective Druckerism.

Dangers of the corporate merry-go-round

ANYONE who has worked for a U.S.-based multinational knows the syndrome: word suddenly issues from on high that the company's structure is to be changed yet again, and within three months jobs are being abolished and new ones created. Close working relationships are disrupted, and executives are forced to transfer to new locations thousands of miles away. Put like that, it sounds crazy. But it happens with depressing frequency, as top management—often under a broom-wielding new chief executive—continues its restless search for the ideal corporate structure, especially for the non-U.S. part of the business.

In their quest to balance all the contradictory pressures for more responsiveness to local conditions on the one hand, and for more global harmonisation on the other, multinationals tend to ride a perpetual "reorganisation merry-go-round," complains Professor Christopher Bartlett of the Harvard Business School.

First, they create an international division, to look after all their non-U.S. business. Then they abandon it in favour of giving worldwide responsibility to each of the product divisions back home. Then the whole thing is turned into a complex global matrix, in which line managers are responsible to two bosses, one locally, the other in the relevant product division. Next the company finds this structure unwieldy, confusing, and slow to react to changing market conditions. So it abandons the matrix, at least in part.

Rather than indulging in this fruitless quest for the right structure, and reorganising it three times in a decade, as Westinghouse did in the 1970s—Bartlett argues in a recent issue of the Harvard Business Review that multinationals should get off the merry-go-round, retain a simple structure, and concentrate instead on changing managerial behaviour.

On the basis of a study of ten diverse and successful U.S. multinationals which have followed this course, Bartlett concludes that finding the right structure is far less important than developing broader perspectives and attitudes among executives, and making use of them through more flexible management processes. This advice is fully in line with the newly fashionable message of "keep it simple" (see left). Bartlett's work is also supported by the recent researches of a number of academics and consultants on both sides of the Atlantic into corporate structures (see this page, October 29 1982), and in particular into the way companies are abandoning or trying to simplify their matrices (see "The matrix in retreat," October 25 1983).

The 10 companies Bartlett studied resisted the temptation to define managerial tasks in simple "either-or" terms, he says: either "local" (with country and regional managers dominating decision-making

from their line positions) or "global" (with headquarters product managers having power over their geographic and functional counterparts). For managers to think in such terms would have ignored the complexity, diversity and changeability of the demands facing them, says Bartlett.

Instead, they focused attention on individual decisions and the way they were reached. Advising top management to begin gradually to eliminate the global or local bias in their decision processes, Bartlett advises three steps: promote personnel with the right attitudes and broad vision; broaden their positions to "bridge" global and local responsibilities; and change managerial procedures, by designing broader information systems. If these steps are taken, many old distinctions between line and staff will become blurred, and organisational clichés about the locus of power lying in one place or another will become less relevant, says Bartlett.

Flexible forums

Top management should also create decision-making forums that take all sorts of perspectives into account and are flexible, argues Bartlett, in particular by making use of informal relationships between executives. One way to do this, he says, is to use task forces, interdepartmental teams and special committees as a normal part of the decision process, rather than as ad hoc devices.

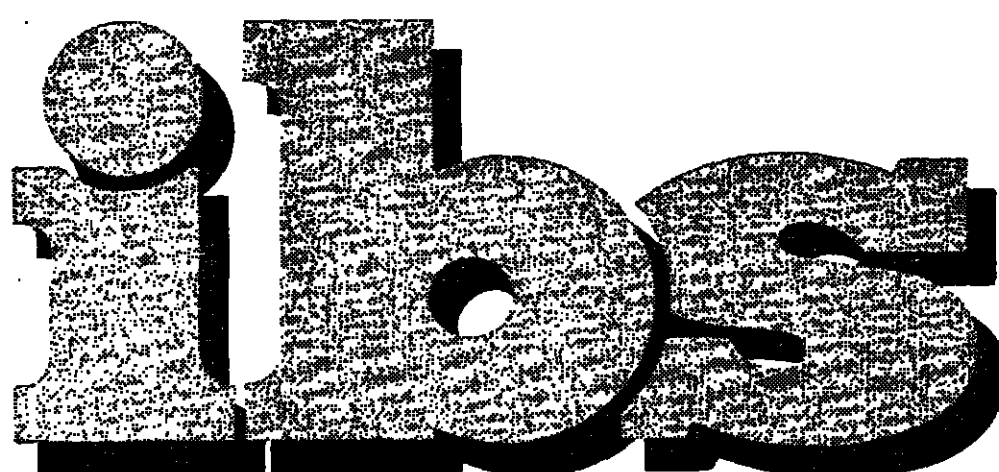
For such groups of executives to operate productively as part of a flexible decision-making process, Bartlett points out, it is necessary to build a supportive organisational culture, in place of one which stresses internal competition.

Successful companies in the sample made sure managers understood that they would not compromise their career opportunities or expose themselves to other organisational risks by adopting a co-operative and flexible attitude, he reports. Many companies, such as Corning Glass Works, have altered management evaluation criteria and modified formal reward systems. Eli Lilly, the U.S. pharmaceutical group, goes as far as to have each manager's performance appraised not only by a direct superior, but also by others with whom he or she works.

By working to achieve a gradual organisational evolution rather than a more rapid structural change, Bartlett claims that a company can avoid much of the trauma associated with reorganisation, and keep managers' attention focused on the issues which are of real importance to the business. More fundamentally still, he claims that such an approach discourages managers from seeing both the organisation and their responsibilities as static.

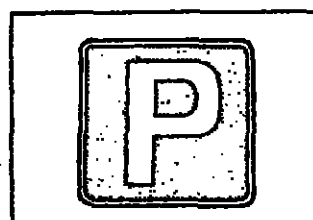
Christopher Lorenz

What's new at



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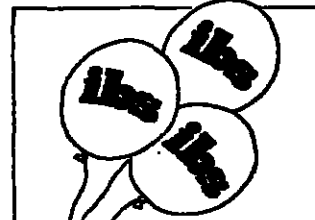
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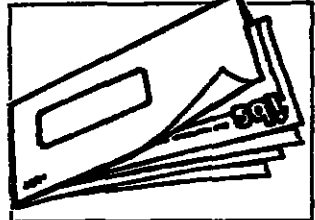
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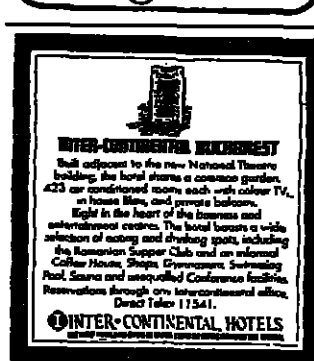
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THE ARTS

Theatre

LONDON

The Tempest (Barbican): Derek Jacobi takes a short respite from his recent triumph as Othello to add last summer's Stratford Prospero to the RSC London programme. A younger magus than is usual, he gives a performance that is technically accomplished and imaginatively adventurous. An entertaining production. (Ends 29/9)

Teles from Hollywood (Lyttelton): New Christopher Hampton play about the European emigrants working in Tinseltown during the war. Intelligent, witty and pertinent play about the artist in exile, with Michael Gambon as the hilariously resurrected Odon von Horowitz and Ian McKellen a predatory, very funny Brecht. (Ends 25/9)

The Real Thing (Strand): Susan Penhaligon and Paul Shelley now take the leads in Tom Stoppard's fascinating comedy, slightly revised new play. Peter Wood's production strikes a happy note of serious levity. (Ends 26/9-1/10)

A Patriot for Me (Haymarket): Alan Bates leads a wonderful revival of John Osborne's masterful play about sexual and conspiratorial intrigue in the Austro-Hungarian empire. A rich tapestry, with a famous drag ball scene at the centre. (Ends 28/9)

Great and Small (Vaudeville): Glenda Jackson in top form as an urban lady on the brink. Keith Black's production is very fine, and London has done full justice to Rothman, one of West Germany's leading young playwrights. Pessimistic material but a highly refreshing, and above all different, sort of evening. (Ends 28/9)

Song and Dance (Palace): Surprise hit at the Palace, newly acquired by the show's composer Andrew Lloyd Webber. Latin jazz, disco, and Fletcher dances. Overblown middle-class stuff. (Ends 28/9)

Blood Brothers (Lyric): Strong rock melodrama by Willy Russell about Liverpool twins separated at birth.

Pop star Barbara Dickson, very like a young Grace Fields, is superb as their grief-stricken mother. (Ends 28/9)

Daisy Pulls It Off (Globe): Enjoyable romp derived from the world of Angela Brazil novels: gym slips, hockey sticks, a cliffing rescue, stout moustache and a musical school hymn. Spiffing if you're in that sort of mood. (Ends 28/9)

Noises Off (Savoy): The funniest play for years in London, now with an improved third act and a top-class replacement cast. Michael Blake-More's brilliant direction of backstage shenanigans on tour with a third-rate force is a key factor. (Ends 28/9)

21st New York Film Festival

Featuring 29 films from China, West Africa and Eastern Europe, as well as closer locales in America, Mexico and West Germany, the 21st New York Film Festival is proud of having new directors represented than ever before. The festival is credited with introducing American audiences to the New Wave and other European contemporary films since its founding in 1962, but this year it will also go back to 1929 and show the Russian silent film *The New Babylon*, for which Dziga

The Pirates of Penzance (Drury Lane): Riotously vulgar Broadway import that sits Gilbert and Sullivan on a wheezy cushion. (Ends 28/9)

NEW YORK
La Cage aux Folles (Palace): Perhaps this season's outstanding musical comes, like *Evita* and *Cats* before it, at the very beginning of the theatrical year. Despite stellar names such as Harvey Fierstein writing the book and Jerry Herman the music, the best part of the show are not the hoopla, apart from the first-act finale a la *Gaiety Parisienne*, but the intimate moments borrowed direct from the film. (Ends 28/9)

Backstage to the Broadway Musical (Theatre): A new Broadway musical version of the backstage to the Broadway musical, down to the confrontation with his dotting Jewish mother. (Ends 28/9)

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Night Mother (Golden): Marsha Norman's harrowing drama of a young woman's last hours before committing suicide in her mother's home makes for the intellectual's form of sensationalism, with powerful acting by Kathy Bates and Anne Pitoniak, directed by Tom Moore. (Ends 28/9)

42nd Street (Majestic): An immediate celebration of the heyday of Broadway in the '30s incorporates gems from the original film like *Shuffle Off to Buffalo* with the appropriately brash and leggy hooey by a large chorus line. (Ends 28/9)

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from the Follies to the Fifties. (Ends 28/9)

Shostakovich wrote the score. Apart from this screening in Radio City Music Hall on October 3, the fortnight's programmes will be at Alice Tully Hall in Lincoln Center, where new names will mix with such familiar directors as Alain Tanner (in *The White City*), Andrzej Wajda (Danton), Francis Ford Coppola (Rumble Fish), and Alain Resnais (Life is a Bed of Roses). Opening the festival is Lawrence Kasdan's *The Big Chill* and closing it is Robert Altman's *Streamers*. (Ends 18/10)

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the Fellini film *8½*, which like the original celebrates creativity, here as a series of Tommy Tune's exciting scenes. (Ends 28/9)

Cats (Winter Garden): Director Trevor Nunn, fresh from the Broadway success of *Nickelby*, has his imaginative and frisky cats sink into the dance floor way across a transfigured stage in this lavish recreation of the London hit. (Ends 28/9)

Extremities (West Side Arts, 43rd W. of 9th Ave.): The realistic portrayal of sadistic rape, with which the play opens, makes for uncomfortable but rich drama, and author William Mastrosimone manages to maintain high energy levels to challenge an excellent cast. (Ends 28/9)

On Your Toes (Virginia): Galina Panoova with presumably a genuine Russian accent leads an exuberant cast in the remake of Rogers and Hammerstein's 1936 sendup of Russian ballet lours, complete with Slaughter on Tenth Avenue choreographed by George Balanchine and directed, like the original, by George Abbott. (Ends 28/9)

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscence now that the Nederlander organization has generously decided to name the theatre after the generation's outstanding box office draw. (Ends 28/9)

CHICAGO
E.R. (Forum): moving into its second year parodying melodrama in a hospital setting, this Emergency Room finds a new home to continue its adventures among a young doctor, a receptionist and an authoritarian nurse. (Ends 30/9)

WASHINGTON
The Golden Age (Eisenhower): A. R. Gurney has built a swift reputation on a career of taking a gentle but not neutral look at the White House. *Lo-Saxon* Protestants who set the tone of American gentility without always subscribing to its precepts themselves. (Ends 30/9)

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Opera and Ballet

LONDON

Royal Opera House, Covent Garden: A marvellous mixture of out-of-the-way operas at the Royal Opera House — the new double bill of Stravinsky's *Nightingale* and Ravel's *L'enfant et les sortilèges* (final performance). Ravel's chamber opera in the brilliant if also finally unsatisfying production by Götz Friedrich conducted by Colin Davis, and a revival of Mozart's *La Clemenza di Tito* in the hands of the Royal Opera's best singers. *L'enfant* is a new opera once deemed odd and undramatic, with a largely new cast headed by Stuart Burrows, Doris Soffel, and the Bolshoi soprano Malvina Kalashnikova and conducted by Ivan Fischer.

English National Opera, Coliseum: the second new production of a richly promising RNO season is Wagner's early grand opera *Rienzi*, in a special "miniature" staging by the German debutant Herbert Esser, and led by Kenneth Woolton in the title role. Further performances of the new production, which has been assembled by Walter Weller, and the last of David Blake's uneven but rewarding Italian operatic epic *Tosca*.

Sadler's Wells Theatre: this week sees the first London revival of the Festival which brings this year's programme. First piece on view is Verdi's *Grail*, with Cynthia Buchanan and John Mitchellson.

Royal Opera, Covent Garden: Makarov and Dorelli perform in Ashton choreography as part of the Royal Opera's staging of *Le Rossignol*. Bloomington Theatre, WCI: The Crampton Ballet from Sweden completes a week's season (Fri. Sat).

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NEW YORK
Metropolitan Opera (Opera House): centenary season, for which special festivities will take place next month, begins this week with performances of *Les Troyens*, La Fille du Régiment and *La Forza del Destino*. Lincoln Center (Ends 28/9)

New York City Opera (New York State Theatre): with the settlement of the musical's debts, the production of management, an abbreviated season begins with *Cendrillon*, *Turandot*, *La Bohème*, *Carmen*, and *Aida*. Lincoln Center (Ends 28/9)

WASHINGTON
Joyce Kilmer Dance Company (Terrace): a city favourite returns as part of a festival called *Dance America*, which will feature the work of American choreographers. *Spanish Dances* Company. Kennedy Center (Ends 28/9)

WEST GERMANY
Berlin Deutsche Oper: on the occasion of this year's Wagner anniversary the Flying Dutchman is presented this week with Donald McIntyre in the title role. *The Marriage of Figaro*.

ro convinces thanks to Pilar Lorengar in the leading role. Further performances are *Madame Butterfly* and *Don Giovanni*, both sung in Italian.

Hamburg Staatsoper: Hoffmanns Erzählungen has Beatrice Haldas famous for her Olympia. *The Magic Flute* has Martti Tavalainen and Daphne Evangelista. Zimmermann's rarely played *Die Wundername Schusterfräulein* rounds off the week.

Frankfurt Opera: Marion Lescant has brilliant Nelly Melicini in the title role. The first premiere this season, *Der Freischütz*, has Walter Raffner in the part of Max. *Die Entführung aus dem Serail* is a fresh and delightful revival.

Cologne Opera: premiering this month is *Elektra*. Munich's opera director August Everding introduced himself to the Cologne audience with this production. Geyneff Jones, Hermann Winkler and Helga Reschke are also making their debuts. Don Giovanni is cast with Norma Sharp and Hans Proschka.

Munich Bayerische Staatsoper: This week starts with *Die Lustigen Weiber von Windsor* featuring Lucia Poppe and Wolfgang Fendler. Wagner's *Peer Gynt*, produced by Kurt Herberich, brings together Scherl Stader and Hermann Reicht in the main roles. *Schönerberg's Moses und Aron* is reintroduced to the programme this season. This week's highlight is *Don Giovanni*, sung in Italian. Cast with Judith Beckmann and Francisco Araiza.

ITALY
Rome: *Musei Capitolini*, till end of September an exhibition of the restored Roman Empire period, including wardrobe and jewellery. "Crepesca Typhasma" — a 2000-year-old lost treasure. At the Galleria Nazionale d'Arte Moderna (near Piazza) till Oct 18: exhibition of 170 paintings by Antonio Ligabue, 46 of which have never been exhibited previously.

Venice: *Castelli Navali alla Giudecca*. Works by Burri. Ends Sept 30.

WASHINGTON
National Gallery: With the recent death of American art patron, John Hay Whitney, his outstanding collection of French impressionists and their successors is on view before dispersal to various museums. Ends October 2.

CHICAGO
Art Institute: 227 works from the Vatican Collection show the range of religious and secular art that Popes collected as important patrons to both artists and archaeologists. Compared to what can be seen in Rome, the travelling exhibit may seem meagre but at the same time, major works like the Apollo Belvedere and Caravaggio's *The Boy with a Snake* can be better highlighted in this carefully chosen and well-groomed selection. Ends Oct 16.

Museum of Contemporary Art: More than 100 works of the provocative, if not outrageous, sculptress Louise Bourgeois comprise the first major retrospective of her work, going back to the 1940s. The sexual and women's lib themes of recent times gained the artist a notoriety, here put in perspective. Ends Oct 30.

BRUSSELS
Old Chinese Costumes and Embroidery: Musée Royale d'Art et d'Histoire. Ends Oct 2.

Urtille Contemporary Exhibition: Musée St George, Liege. Ends Oct 16.

James Ensor: Koninklijk Museum, Antwerp. Ends Oct 30.

Exhibitions

LONDON

The Hayward & Serpentine Galleries: The Sculpture Show — this year the Arts Council's annual review of sculpture, which now, in the knowledge of the great old age achieved by its subject, with the personal selections of three invited jurors covering altogether the work of some 50 artists. But so wide and varied is this field, that it is no definitive show; rather it is a very partial selection of what is so useful, bringing to the domestic public the work of a younger and expanding generation that has already begun to attract considerable attention abroad. Ends Oct 9.

The National Gallery, Manet at Work: this year falls the centenary of Manet's death, which now, in the knowledge of the great old age achieved by its subject, with the personal selections of three invited jurors covering altogether the work of some 50 artists. But so wide and varied is this field, that it is no definitive show; rather it is a very partial selection of what is so useful, bringing to the domestic public the work of a younger and expanding generation that has already begun to attract considerable attention abroad. Ends Oct 9.

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Cinema/Nigel Andrews

Fast motion and fresh breezes

Breathless, directed by Jim McBride
Staying Alive, directed by Sylvester Stallone
Come Back the Five and Dime, directed by Robert Altman
We of the Never Never, directed by Igor Auzins
Something Wicked This Way Comes, directed by Jack Clayton
Without Trace, directed by Stanley B. Jaffe

What natural hurricanes are to Florida, movie brainstorms are to California. They swirl in from nowhere, flattening all known standing structures. But just occasionally they leave more interesting patterns behind than they found.

Whoever first thought of remaking Jean-Luc Godard's *Breathless* as a hip, spangly, coloured chase thriller in Nevada and California should be put in charge of the artistic cyclone division in Hollywood. Presumably it was writer-director Jim McBride and co-scenarist L. M. Kit Carson. In *Breathless* they dress Richard Gere in a red-frill shirt, wire send him pinballing picturesquely from Las Vegas to Los Angeles, a small-time crook and compulsive car thief who's fleeing South-West after an accidental shooting of a policeman.

Once in L.A., Gere whisks into his arms the former French student girlfriend Valerie Kaprisky (thus mirror-writing Godard's film, where Belmondo's moll was an American in France, Jean Seberg). And he bats busily about from mobster to mobster, trying to raise the money for him and her to escape to Mexico.

This film is made by someone who is in love with film as fast motion and fresh breezes. It's like a car journey with an open window. The script isn't hewn from imaginative depths so much as quilted from colourful plagiarisms; but they harmonise inspiringly. The plot is Godard's and so is the hero's name: "Lujack", which is Jean-Luc colloquialised and reversed. The visuals are in raw-toned '60s Technicolor with touches of Antonioni (the giant trompe l'oeil murals that look like real vistas and landscapes). The music is by Jerry Lee Lewis and company. And the dialogue is in the pop portentous-elliptical mode of comic-strip and rock music lyrics ("He's got the power cosmic", "You tell me, Silver Surfer").

If all this sounds like a clearance sale for yesterday's pop culture, it's totally enchanting as directed by McBride and acted by Gere. What other film-maker could turn the giant Hollywood film would dare to have a sunset-rouged, back-projected desert whizzing by, patently artificial, behind Gere's drive from Las Vegas to L.A. Or to turn a scene like *Godard's* into his girlfriend's exam to sweep her off and away, with an overturned table and several stupefied professors, into high-grade slapstick anarchy. It's like of giant, featherlight larva-on of the last scene in *An Officer and a Gentleman*.

Meanwhile Richard Gere's big-boned handsome face, sealed up in previous movies in strong silent roles, here takes on a boom of charisma and a crinkle of wit that make *Lujack* the most magnetically renege American hero since *De Niro's* taxi driver. (And a lot safer to be with.)

Staying Alive and *Come Back to The Five and Dime*, Jimmy Dean, Jimmy Dean also call

Altman succeeds by dint of magical soft-focus camerawork (Photographer Pierre Mignot), which dissolves all sense of a proscenium box and by turning each actress into a force-field of mannerisms and manias. Sandy Dennis as the fan club's top cat is simply magnificent. For once her extroverted, high-toned, going-to-throw-up style of acting (fluttering eyelids, rising gorge, trembling chin, mouth forming into "O") is put through 57 varieties of unrepeated and beautiful tragicomic nuttiness. Karen Black provides the film's suavely kinky last punch: Cher is the funny-tough Texas-drawing-buzz-saw who serves behind the counter; and Marta Heflin, dressed in a black and white Easter egg, shines out in a smaller role.

We of the Never Never has the wide-screen pictures of the Australian outback to romp across, but it's less aerated than Altman's one-room movie. Melbourne newsworlds Angela Punch McGregor and Arthur Pennamally forth to the cattle station Dugan runs up in the widest nowhere of the Northern Territory. Here the Aborigines won't stir themselves to do any work in return for the white man's free food

ton: a fine British director who has been invisible since *The Great Gatsby* (1974). We are rewarded with immediate tremors of style — from spooky low angles to sudden bravura tracking-shots — in this version of Ray Bradbury's novel about a sinister carnival awakening the dead and terrifying the living in an American small town. The performances — Jason Robards, Jonathan Pryce, Vidal Peterson, Sherry Carson — are strictly middle-weight. But the use of painted landscapes and glass-shots is outstanding, and so is the climactic Special Effects tornado, choreographed to a crisp by Clayton.

Director Igor Auzins makes the scenery hum with crane-shots and shimmers across just about the widest screen you've seen this year. And Miss McGregor makes an enchanting heroine, a bride-for-prince messiah, requiring you to take three spoonfuls of *Women's Lib* and *Aborigine Rights* with every litre of lovely landscape, that sets it back a length or two in the Best Australian Film stakes.

Something Wicked This Way Comes spirals into the daylight the rarely emerging Jack Clayton.

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out to the 1950s and say "Lend me your ear." The first is the long-awaited (?) sequel to *Saturday Night Fever*. John Travolta, exhibiting a sweat-prone and puppyish, tantrum-prone temperament, is the John McVie of the dance halls, time-trapped in neo-1950s Bee Gees music and also caught between the call of two loves. His steady girlfriend is sweet, long-suffering American primrose Cynthia Rhodes. His new flame is a bitchy English girl with money (Finola Hughes), who wears scarlet-woman lipstick and drives a limousine the length of the Lusitania. She is the star of the new show whose chorus line J.T. has just successfully auditioned for. And Good Heavens, do you suppose the leading man makes a cropper before opening night, thereby giving our hero a chance to partner Finola and to have his name in news?

Director Sylvester Stallone directs this throwback drive as if he were a returned Rocky around *The Clock*. It's all furious montage sequences, knock-out music punches from right and left, sweat-stinging training and rehearsal sessions and occasional icky doses of slow-down sentimentality.

Jimmy Dean (to abbreviate) is much better: Robert Altman's film of his Broadway production of a play by Ed Graczyk, 1975. In a "five and dime" store deep in Texas, members of the local James Dean fan club gather to commemorate the 20th anniversary of his death. One by one these time-warped idolaters, nourished on nostalgia and giving it garrulous voice, have the pipe-dreams knocked out of them by the eruption of truth, that commodity being provided by the machines. Karen Black who arrives late in the story and proves, startlingly, to be not what she seems.

Graczyk's play is a ten-ton comedy-allegory complete with flashback scenes. We keep whizzing back (courtesy of mirrors) to the 1950s. At its best the dialogue reaches high-octane scattiness. "Elizabeth Taylor and Rock Hudson are coming here to make a film about a giant or something." "Dammit, Louise, I was going to tell them." But through the play's movement and message power multi-decibels along, they do so on such a pre-ordained thematic flare-path that it's hard to believe any director could quite turn this symbolic schema into a human story. It's as if 600 monkeys had sat down at a row of typewriters and tapped out an identikit William Inge play.

Altman succeeds by dint of magical soft-focus camerawork (Photographer Pierre Mignot), which dissolves all sense of a proscenium box and by turning each actress into a force-field of mannerisms and manias. Sandy Dennis as the fan club's top cat is simply magnificent. For once her extroverted, high-toned, going-to-throw-up style of acting (fluttering eyelids, rising gorge, trembling chin, mouth forming into "O") is put through 57 varieties of unrepeated and beautiful tragicomic nuttiness. Karen Black provides the film's suavely kinky last punch: Cher is the funny-tough Texas-drawing-buzz-saw who serves behind the counter; and Marta Heflin, dressed in a black and white Easter egg, shines out in a smaller role.

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FINANCIAL TIMES

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Friday September 23 1983

Japan's push into Europe

DUNLOP built the first rubber manufacturing plant in Japan more than 70 years ago, and its pioneering technology helped to shape the world's tyre industry over many years. So the news that this famous British name is selling the heart of its European tyre business to what was once its Japanese offspring inevitably brings a sense of shock.

However, this needs to be tempered by recognising the facts of the case, as well as its positive aspects. Although around a fifth of western European tyre capacity has disappeared in the past five years, far too many plants are still in production. Dunlop had become one of the weakest big companies in the industry as a result of strategic mistakes in the past 20 years and the long term decline of the British motor industry. Losses in its European tyre business threatened to bleed the whole company to death, and it was in no position to survive a long term war of attrition with financially more robust competitors.

Meanwhile, Japan has become the world's biggest manufacturer of motor vehicles, and a dominating force in the international motor trade. As a result, its component suppliers have been sharpening their technological edge, and pushing their way into foreign markets. The efficiency of their manufacturing base is such that many companies find it cheaper to serve international markets through export sales rather than by setting up overseas manufacturing plants — even in the tyre industry, where the advantage is relatively low. But Japanese manufacturers are beginning to overcome their caution about investing overseas.

Management skills

One somewhat negative explanation is their concern about the imposition of trade barriers and import controls. But there is more to it than that. Bridgestone Tyre of Japan, which last year bought a big Firestone plant in Tennessee, decided it had to have local manufacturing capacity if it was to increase its share of the U.S. truck market. Its motives included the need to produce tyres suited to the characteristics of American roads, and to provide services to distributors and customers.

Under Firestone's owner-

ship, the plant has been starved of capital and had a terrible industrial relations record: it would have been closed down but for the sale. Its output has doubled in the past year and a big investment programme is under way.

Japanese companies have no monopoly on management skills, and their international forays have not been an unqualified success. They find it difficult to decentralise decision-making from head office, and are seldom willing to put locals into top executive and financial posts.

Yet there is little doubt that Dunlop's surviving tyre facilities have a better chance of long term health under their new ownership. And although there can be no guarantee that its technical skills will remain centred in Europe over the long term, Sumitomo has at least made a major investment in its research and development facilities, and its brand name. In addition, a millstone has been removed from the rest of the UK company's operations.

Power bases

Over the short term, Sumitomo investment could prove very expensive; there is a long slog to come before the European industry returns to viability. But the company seems to have recognised that if it is to be a world player in its sector, it cannot remain in geographic isolation. A parallel case is that of Asahi Glass, which has been hit by losses in Belgium and the Netherlands at the companies which it bought two years ago from BSN-Gervais Danone. Outward investment can be a painful exercise, but it is a necessary quid pro quo for international freedom of movement in trade and capital.

Like the trading links between Honda and British Leyland, or Toyota and General Motors, the Dunlop story is another example of the way power bases can shift as a result of long term changes in particular industries. Happily, the trend is not all in one direction. BOC and Merck are two obvious examples of Western companies being allowed to channel investment into Japanese businesses where local technology is deficient or international connections are required. It will be to every company's advantage if governments are willing to be responsive to moves of this kind.

IF THE International Monetary Fund did not exist, it would have had to be invented this year. Without the IMF a number of the world's leading banks might by now have been in liquidation, many developing countries would probably be in the grip of revolution or starvation and the industrialised world would be plunging deeper into recession instead of pulling out of it.

Perhaps this is why fewer than usual of the delegates at next week's annual meeting are likely to deliver their traditional diatribes against the IMF, despite the Fund's harsh exactions from the record number of nearly 30 Third World and Communist countries which have submitted to it in the past year. In fact the (unwritten) agenda for this year's meeting makes no concessions to the developing countries' inordinate efforts to soften what they regard as the Fund's philosophical approach.

The only immediate political pressures which the Fund still needs to worry about are those from the U.S. Congress. These will effectively disappear once President Ronald Reagan signs himself for the all-out effort required to push an IMF funding bill through Congress, as he is almost bound to do by the end of the year. The Reagan Administration's recognition that the Fund has a right to exist is a far more important development of the past year than the obsequy from Congress.

In any case the congressional abuse is largely self-cancelling. Indeed the Fund goes to inordinate lengths to ensure "consistency" between its programmes for different countries, and "equal treatment of all members" is a principle which officials invoke with almost mystical reverence.

The job of reconciling the seemingly conflicting goals of "equal treatment" and "tailor made solutions" falls initially to the Fund's most powerful group of economists, called the Exchange and Trade Relations Department (ETRD). Every Fund mission contains at least one member of ETRD. These people are sometimes regarded with a touch of awe even by the mission chiefs, who are Fund officials working in one of five geographical departments.

After M Jacques de Larosiere, the managing director, the director of ETRD, a quiet and thoughtful Australian called Mr David Finch, is the second most influential man behind the IMF. Between them, these two gentlemen are, as one official puts it, "the code of the Fund". And the Fund bureaucracy is centralised in such a way that no detail of an adjustment programme with even the smallest member, be it Fiji or Haiti, can be agreed without M de Larosiere's personal imprimatur.

A geographical department will never enter into preliminary negotiations with a country requesting a loan without first receiving detailed instructions from the managing director. Whenever a mission

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Where the world's credit is rated

Anatole Kaletsky in Washington examines the IMF's philosophy

most countries in deficit have already exhausted will before they have a balance of payments crisis. The Fund unquestionably does have an in-house adjustment "philosophy," although officials insist that "each adjustment programme is tailor made for a particular borrower."

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leaves Washington this means a personal briefing with the managing director. The briefing paper for this discussion, written by the country economist, circulated to ETRD and other specialist departments and finally revised by the managing director personally, is one of the most important and confidential documents in any loan negotiation.

This paper sets out the Fund's true bargaining position, the final aim towards which the country mission is instructed to negotiate. As in any bargain, the Fund's initial offer may be at some distance from the final goal.

A basic maxim of Fund organisation is that flows of paper to executive directors, who are appointed by individual countries, rather than the Fund as a whole, are kept strictly separate from communications within the staff and between the staff and the managing director. Although the executive directors in principle make all final decisions, it is obviously most important that they do not see the negotiating instructions relating to countries which they themselves represent. The principle of "equal treatment" thus requires that none of the staff's internal memos are shown to any executive director, although they are frequently consulted and briefed orally by both the managing director and the staff.

Only when a negotiation is completed does the managing director approve a detailed report and statement of conditions which goes to the executive board along with the recommendation for a loan. This is the final stage at which "consistency" is ensured and precedents are set.

When it comes to establishing the fund's bargaining position, the principles of "equal treatment" become more arcane. The



of many developing countries may still be required. The first question, therefore, is how does the Fund decide "what the capital account can be?" In other words, how does it determine how much the commercial banks can be induced to contribute to the country's adjustment programme?

One way this question is sometimes approached is by starting off with an estimate of the maximum exports that a country can reasonably be expected to achieve on the basis of past performance. The Fund then calculates the minimum imports required to provide the inputs for export industries, adequate food supplies and other essentials. To the resulting trade surplus is added the financing available from the Fund, plus any other official sources, such as the World Bank. The country's current debt servicing obligations are then subtracted to give the "preliminary gap" which has to be financed. The commercial banks are then asked to fill the gap. If the gap is too big to fill, we iterate, meaning that a new programme with a sharper squeeze on imports and more resources for exports has to be devised.

Other rules of thumb are sometimes used, such as insisting that banks maintain their exposure to the country as a proportion of their total assets. The second, even broader question is whether general deflation is appropriate at all in response to the abrupt withdrawal of bank financing. Many of the countries which have come to the IMF in the past year had undoubtedly been following extravagant and unsustainable policies. But some other countries, including Brazil, had borrowed at least in part for long-term productive investments, on the assumption that loans coming due would be automatically rolled over or refinanced. Many leading bankers have publicly confirmed that this was also their intention when they actually advanced the money.

Both stances in particular might not have suffered a debt crisis on the basis of its current account alone. Its biggest problems arose from the attempts by the banks to reduce

their exposures in the general panic over Latin American debt. In the long-run both Brazil and its bankers might well have been better off if the loans had been explicitly arranged for 10 or 20 year maturities, and if the pace of lending were maintained over the current recession.

Once the dust has cleared from the first phase of the debt crisis, particularly when the point arrives when countries like Brazil to pay much more to the banks in interest than they will be getting back in new credits, they may ask whether sticking to an IMF adjustment programme is worth it.

If years of healthy export growth under IMF surveillance produce tangible benefits only for bank cash flow rather than for the citizens of Third World countries, there could yet be serious calls for long-term debt restructuring, a world financial reform and a new role for the IMF. This week's annual meeting would then mark the end of the beginning for the Fund.

Labour costs and unemployment

TODAY'S REPORT on the employment outlook from the OECD is hardly a cheerful document, but in a week when Washington reported further evidence of sharp economic growth in the U.S. it is timely.

The report is thick with evidence that Europe's labour market problems, manifested in an 11 per cent overall unemployment rate, are of a different order from those of North America or Japan. Its message is that American economic growth will not, even in the medium term, wash away Europe's unemployment crisis.

With 18.75m people out of work now in the European OECD countries and 19.75m forecast for the end of next year, there is no sign of abatement. Of this total, about one-third have been out of work for over a year, a ratio which has reached almost 60 per cent in Belgium, 40 per cent in France, and 33 per cent in Britain. The comparable figure for the U.S. is 7.7 per cent.

One of the unfinished tasks of the OECD secretariat is to research the institutional reasons for these huge differences, indicative as they are of structural labour market rigidity, and all the worse because the problem feeds on itself. The longer people are out of work the harder they find it to get jobs. What also shows up from the report is the fact that the teenage unemployment problem has begun to moderate, but only at the expense of the 20-24 age group. The unemployment knot is drawing tighter as it is getting larger.

Rigidities

As the OECD says, the sustenance of the economic recovery now under way is the most vital element in improving this situation, but for Europe economic recovery no longer suffices. The kind of rigidities which beset most European labour markets — high non-wage labour costs, job security laws, inflexible working hours, to name three — have been an important factor in hardening the employment problem. The structural unemployment which has resulted can be dealt with,

as the report says, only "by improving the functioning of the labour market and stimulating job-creating investment. It is necessary to apply macro-economic and structural policies simultaneously."

Objective

Easier said than done, of course, but the report is right to defend the role of selective employment policies. The point is that these measures, whether they consist of training programmes, regional policy or employment subsidies, are all capable of being adapted to further a strategic objective.

That objective is twofold: to reduce the cost of labour relative to the cost of capital, a process that would assist the recovery of profits and so of investment. The second part of the strategy is to ensure that the investment so generated is job-intensive.

The OECD has even hypothesised a selective employment scheme of its own, whereby companies would be offered marginal investment or employment subsidies in return for signed agreements with their workforces on wage moderation. Although the problems in designing and monitoring such a scheme would be difficult, in practice the principle is the right one. It could usefully be employed, for example, in recasting Britain's worn out regional aid policies.

Given the crucial importance of avoiding a winter wages push, with the consequent risk of fiscal and monetary retrenchment, the theme of job security is one which could be usefully examined in the public sector. Britain's largest employer, the health service, for example, might be a candidate for such an approach.

The OECD report should encourage governments to explore new approaches to employment creation and to review critically their existing tax concessions and subsidies which impart an excessive bias in favour of labour-saving investment.

Posted Price

Charles Price, the new U.S. ambassador to London, if the senate approves it, like John Louis, the man he will replace, a political appointment.

Price, now 52, spent 26 years as a candy-maker before being given the relatively minor post of ambassador to Belgium two years ago.

He has, however, achieved the rare feat of almost universal acclaim from fellow diplomats in that most diplomatic of capitals, Brussels. One senior ambassador, who knows him well, says he has done a "magnificent job" for the U.S.

He has apparently developed a close rapport with George Vest, the U.S. ambassador to the EEC and technically his senior. In an interview Price said he was probably in the candy business for too long. He said he wanted to be thought of as "Someone who has seriously endeavoured to pursue a new career."

He got off to an appropriately diplomatic start when asked to comment on John Louis, the man who is reported to have been removed from one of the world's most prestigious embassies under a cloud.

Talking about his friend of 30 years—Price is godfather to Louis' eldest daughter, Kim—Price said "I think he (Louis) has been unfairly treated by the press."

Room service

Running one hotel would be a headache for most of us. Gerry Morin, a quiet, middle-aged, American from Massachusetts, who is the new British-based president of Sheraton's most profitable division running hotels across Europe, the Middle East, Africa, and India, has 47

Men & Matters

under his command. But this is only the start," he tells me. By 1988 he is planning to have 120 bedrooms on offer to 25,000 with 64 new hotels.

"We are not in the real estate business," he finds himself saying. "We are in the hotel business. We are asked how much massive increase in hotel capacity can be achieved."

Sheraton ideally would not hold any equity at all in the hotels under its management. But in order to realise a project the group will take up to 20 per cent of the equity in a new hotel bearing its name, together with a tight management contract to run it to Sheraton standards.

The group's biggest project in Britain at the moment is a new Scottish flagship, a 226-bedroom Edinburgh hotel costing £13m which should be ready by January 1985. Sheraton has had to put up money for that one.

After Edinburgh Morin is looking towards new British hotels in Brighton, Birmingham, Bristol, Glasgow, Manchester, and Cardiff during the next few years.

Swish Swiss

Among every 100 Swiss citizens across their country you can expect to be rubbing shoulders with at least one millionaire (at 3.25 Swiss francs to the pound).

That is if you accept figures just released by the Swiss federal government. The suspicion must be that as the recession has not hit Switzerland as hard as elsewhere there are many more Swiss millionaires than that living quietly in this comfortable corner of Europe.

The new figure, as the authorities concede is based only on those rich people who are simple enough to declare that they have an income above 1m Swiss francs annually.

The Swiss millionaire's com-



"How would you like to be on television, Sir?"

prise nearly 1 per cent of the taxpaying population. There are some 40,000 of them.

Maxwell's man

When top politicians step down their leading aides do not always find it easy to set off in a different direction. No such problems have beset Sir Tom McCaffrey who ended his reign as the Prime Minister's Chief Press Secretary by nailing his colours to Labour's mast when James Callaghan made way for Mrs Thatcher in 1979.

Sir Tom is heading for the City of London when his role as chief assistant to the Leader of the Opposition comes to an end with the departure of Michael Foot from the Labour leadership.

McCaffrey's new role will be to head the office of the chairman and chief executive of the British Printing and Communications Corporation, the redoubtable Robert Maxwell, former MP whose personal fortunes have soared recently.

IBM ride

Shopping around for a micro-computer software subsidiary a couple of years ago, John Imlay, chairman of Management Science America, the world's largest independent software house, was favourably impressed by a small U.S. company called Peachtree.

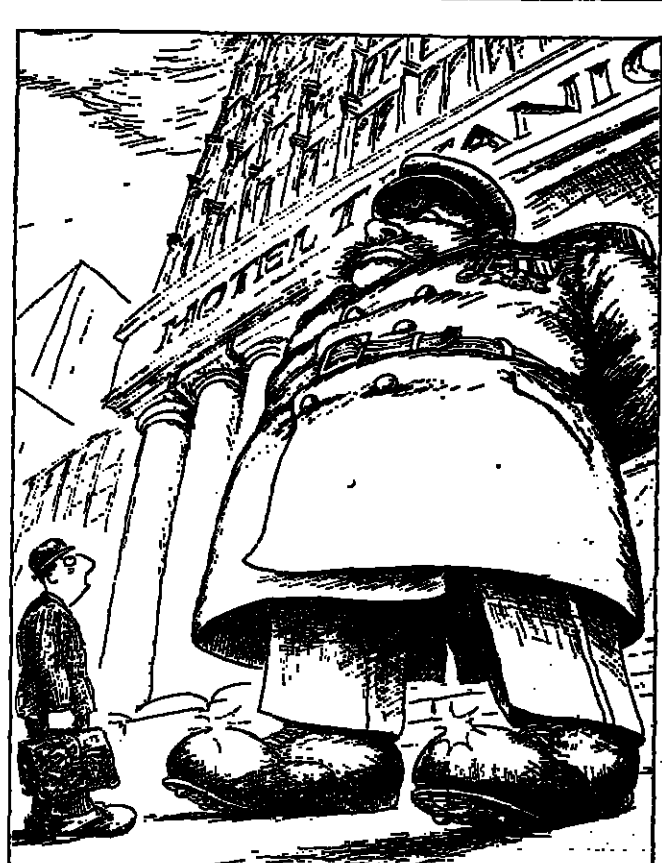
The price seemed reasonable at \$6m. But Imlay's eyes really began to sparkle when the Peachtree management swore him to secrecy and then took him into their room, locked and barred and containing just one small computer.

"This is IBM's new personal computer," Peachtree chiefs explained, anxiously. "We've been commissioned to write software for it, but we don't know how well it will sell."

Imlay feigned shock at the amount of time, people and money, Peachtree was gambling on an unproven venture—and managed to have \$500,000 knocked off the asking price.

Twinge benefits

Advertisement in a California newspaper: "Mature male or female assistant for kitchen duties in rheumatism clinic. Meals, treatment of own rheumatic condition if required."



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Observer

TWO WEEKS OF BELGIUM'S STRIKES

Why the unions boiled over

By Paul Cheeseright in Brussels

BELGIAN TRADE unions have been staging the most comprehensive assault on stringent budgetary policies that Western Europe has seen for some time. Although union movements generally have been more quiescent in the face of recession and rising unemployment, the Belgian unions have provided a reminder of the latent power of organised labour.

Since September 9 the strikes in Belgium have paralysed the bureaucracy, brought public transport to an almost total halt, shut schools, deprived pensioners and national lottery winners alike of their money and let rubbish accumulate in the streets. Yet they started spontaneously.

It is this spontaneity, harnessed later by union chiefs, that is providing much food for thought in the European capital.

How can a government handle a simultaneous breakdown in large parts of the state machinery? When are employees likely to say "Enough is enough" if confronted with policies designed to trim the fat off an economy and make it competitive again?

The special circumstances of Belgium make the country a difficult case study. The unions have distinct political loyalties—there are three broad groupings, Socialist, Christian Democrat and Liberal. And, just as the political parties which conduct these loyalties are split into Flemish (Dutch-speaking) and Walloon (French-speaking) wings, so too are the unions.

Until September 9, the Christian Democrat-Liberal coalition Government had a relatively smooth run with the unions. Even in dealing with the painful rationalisation of the steel industry, the Government remained secure against the unions because the Socialist and Christian Democrat groupings could not agree on a combined approach.

The public sector strike changed that, at least for a time. It was not that the union chiefs were in special alliance. Rather, pressure for the strike came up from underneath. To regain control of the strike union leaders were forced to cooperate more closely than they have done in the past.

Here was a major threat to



Rubbish piles up in Brussels as the strike by public service workers continues

the Government. Its carefully cultivated links with the Christian Democrat unions came under severe strain. The Liberal grouping was less of a problem: it has few members in the public sector.

But the Government, as the sequence of events shows, was slow to spot the danger. The story starts in July.

During that month, the Government passed from bruising internal negotiations on the future of the steel industry and the financing of distinct Flemish and Walloon regional ambitions to consideration of the 1984 budget. It put together a package which involved new attempts to curb the public sector deficit.

As soon as the broad political compromises had been struck, the Cabinet and political party chiefs packed their bags and joined the rest of the nation on holiday. There was little attempt to explain the detail of what was being done: the government was in the beaches and in the hills. Details of the budget could be worked out in September.

But there were union leaders coming through the budget proposals in August. Early this month there were consultations in the Walloon industrial town of Charleroi about the special problems of the railwaymen who looked as if they would be particularly affected by the

public sector cuts, especially on bonus payments and built-in two yearly wage rises. The local union leaders said they would think about a strike in October.

But when the railwaymen themselves heard about how they might be affected by the cuts, they took the matter into their own hands. That was September 9.

The strike spread through the rail network and out into the civil service and the state agencies. Within a week the state machinery was seizing up and transport difficulties were preventing private sector plants from receiving supplies. The situation was running out of control.

Four days after the first strike moves in Charleroi, Mr Herman de Croo, the Minister for Communications, was quoted as saying that, in effect, communication had broken down both within the unions and between the unions and the Government.

"If the Press had not told me, I still wouldn't know why there's a strike," he said. "I have received no warning, no notice, no precise demands. I've been as surprised as the unions if I can believe a periodical I got from the Christian Democrat union this morning. On its front page there was a headline 'Too much is too much' and it told its

readers that a counter strategy to the 1984 budget will be studied on September 20."

Then and later the Government was sticking to the same line. The broad budget plans laid down in July must remain: the deficit could not go above BFRs 503bn, and BFRs 8.5bn had to be saved from the system of public service payments.

But what the Government did not do was to take its case to the public in any detail, until last Monday—10 days after the first strike. By that time it was too late to defuse the unions because they had already widened the terms of the argument.

The initial spark for the strike was concern mostly about the details of bonuses and rises, about whether salaries should be paid at the beginning of the month or at the end.

By this week, though, the Christian Democrat and Socialist unions were listing much broader demands. Generalised, these demands embodied the theme that enough is enough, the public sector and the workers have made sufficient sacrifices, the wealthier should pay more in taxes and there should be more action to reduce unemployment.

Instead of one strand in the dispute, there were two and was a headline "Too much is too much" and it told its

first thing to do was to separate specific public sector pay issues from the wider issue of the budget. By yesterday it looked as if this limited aim was being achieved—but at a price.

It suspended talks with the unions and employers about the general shape of the 1984 budget until next week and went into negotiations with the public sector unions. Yesterday the unions were considering the package for the public sector that emerged Thursday evening.

The package is the price, because the guarantees it offers the public sector employees on pensions inevitably handicap the Government's wider plan to rationalise the social security system which has been eating up an increasing share of the Government's budget. So while the Government may be able to claim that its 1984 budget strategy remains intact, its future freedom has been curtailed.

The public sector dispute may be edging towards a finish and this will have an impact on the more general talks about the budget. But the game is not yet over, suggesting a tense 10 days before the Government makes its final decisions on September 30.

In the meantime though, the fabric of the coalition government is likely to be frayed, if not torn. The demands of the unions chime, at least in part, with arguments about future economic measures already going on in the coalition between the Christian Democrats and the Liberals.

Yet the demands of the Socialist unions tend to be more far-reaching than those of the Christian Democrats, opening up the possibility that the Government may again be able to divide and rule, neutralising the power of the unions. That supposition would only work, however, if the coalition in Brussels itself hangs together.

If governments in general are to learn anything from the events of the past fortnight in Belgium, it is, perhaps, that tough economic measures affecting the monthly pay packet cannot be introduced cold. The ground needs to be prepared. The measures, when they are agreed, need detailed and frequent explanation.

WHEN THE Queen, in June, announced that among her Government's tasks for the coming Parliament would be "a Bill to improve family life," it required a certain knowledge of the English way of doing things to understand that she was talking about divorce.

The Matrimonial Causes Bill will, when it is introduced to Parliament early next month, propose the most significant reforms to the legal institution of marriage since that landmark of permissiveness, the 1969 Divorce Law Reform Act. Whether it will improve family life is another matter.

Based upon a Law Commission report and already subject to a dry run in the form of a Private Member's Bill which ran out of time last session, the new Bill is designed to redress the balance in the financial arrangements which follow divorce.

The male Establishment has for some time been strongly of the opinion that existing arrangements offer it a raw deal, by supplying to many divorced wives what is gracefully termed a "meal ticket for life."

The objective of the Bill is to reduce the supply of meal tickets. In future, courts would be instructed primarily to make financial provision in maintenance orders for dependent children, while encouraging courts to facilitate "a clean break" between husband and wife. Although wives would be entitled in some cases to maintenance in their own right for a limited period of "rehabilitation," the Bill removes the present law's objective of requiring that divorced partners be left in similar financial circumstances.

Unsurprisingly, fusillades have been exchanged across the sexual divide about the fairness of these changes. Men point out the difficulties of providing for a second family while still supporting an ex-wife. Women argue that to change the rules midstream is unfair and will cause hardship, especially for older women unable to enter or re-enter the labour market.

In fact there is so little

Social Affairs

Divorce reform: getting rid of a 'meal ticket'

By Ian Hargreaves

evidence about the level of maintenance and the degrees of hardship involved in divorce that the seeker after truth had probably best sit on the fence. The only research evidence—from the Oxford University centre for socio-legal studies—suggests that 5 to 7 per cent of divorced wives rely upon maintenance as their main source of income.

That, at least, indicates that male pictures of vast numbers of alimony drones are exaggerated.

Pictures of vast numbers of alimony drones are exaggerated

ated, but does not really take us much further. In the end, one suspects, whatever the rules say, it will be a question of courts making difficult decisions according to individual circumstances.

What has surprised, even shocked, some critics of the Bill is not so much the arguments about maintenance payments, but the fact that this Government should be sanctioning even easier divorce in apparent contravention of the principles of self-responsibility and family self-reliance which are one of the consistent themes of Thatcherism.

Although there was talk at the end of the last Parliament that Mrs Thatcher found the Bill somewhat distasteful—it has been pushed, primarily, by Lord Hailsham, the Lord Chancellor—Government backing for the Bill is not really so surprising. The British new Right has always prided itself upon being different from its American counterpart precisely because it does not espouse Moral Majority positions on issues like abortion, homosexuality, divorce and female equality. As Mr Patrick Jenkin, then Social Services Secretary, argued in a foreword to a Conservative Party discussion document on marriage three years ago: "We move on to difficult ground if we argue that government should share responsibility for, or even

directly try to influence, how people live their lives."

That is fine, so far as it goes; less satisfactory is the fact that at the same time the Government is able to construct a social services policy upon the idea that families should shoulder more of the burden of caring for their elderly ("the family must be the front line of defence when Gran needs help," to quote Mr Jenkin again), or to keep their unemployed youngsters on the family budget longer.

Little attempt has been made to assess the social policy implications of the fact that divorce has multiplied sixfold since 1961, making it the statistically probable outcome for one in three of today's newlyweds. Examples of the failure of policy to react to this phenomenon of mass divorce and treat women as separate individuals in their own right are legion. They range from the absence of action on tax changes to treat husband and wife as independent entities to the inconsistency in social security policy which denies allowances to married women caring for invalid relatives at home.

Our failure to do better with policies for one-parent families—one household in seven today, 47 per cent of them living on social security and a major area of poverty—is part of the same problem. And it is all made worse by excessive propagation of the idea that men and women are equally capable of providing for themselves—a fine enough principle to strive for, but not likely to be true so long as women lower their value in the labour market by taking time off to raise children.

There is some danger that in our haste to sanction the social and moral mobility which has resulted from affluence, we ignore the economic side-effects and behave as if nothing can be done about these problems. Is it not time that the Chancellor found a better way of spending the £9.4bn a year currently disbursed in the form of the married man's tax allowance?

"Politics Today" will be published tomorrow.

Letters to the Editor

Unitary taxation for multinational companies

From Mr J. Newman

Sir,—The UK participants in the campaign on United States unitary taxation are in Washington lobbying hard with the support of the Chancellor and the UK Government. The U.S. Congress, however, seems to be ignoring the lobby and little or no impression has been made.

This issue has been the subject of argument for at least 10 years. The time has come for unilateral action either by HM Government or by a public spirited MP.

The action I propose is a unilateral change in the double tax agreement between the UK and the U.S. without recourse to the U.S. In the Finance Bill 1984 a short clause could be inserted to disallow the repayment of advance corporation tax to U.S. individuals and corporations in order to compensate the UK in general for the imposition of unitary taxation at the state level on UK-owned corporations. This action could not be thought of as the normal course of international relations, but the time for tact has passed. Unitary taxation is a very dangerous principle: if it is accepted, in the U.S., this acceptance will lead to its introduction by other less developed

states with disastrous consequences for some industrial sectors, e.g. mineral extraction and banking. This is why such a measure is called for.

This is possible because of the fundamental principle that one Parliament cannot bind a succeeding Parliament. In this connection the UK has already (albeit unwittingly) unilaterally amended the old double tax agreement between the UK and the U.S. by the Finance Act 1971 (which introduced the unitary [sic] system of personal taxation and abolished surtax) without seeking U.S. approval. This is an adequate precedent for action.

John A. Newman,
11, Garrick Street, WC2.

From Mr P. Wright
Sir,—According to your editorial of September 19, multinational companies are an asset to the world economy because they "promote an efficient international division of labour, and allocate investment resources appropriately, and with appropriate expertise." This suave statement disguises the important question of efficient and appropriate for whom? Allow me to cite one example, by way of illustration.

The pineapple production of Doie and Del Monte used to be concentrated in Hawaii. As workers there became unionised and started to fight for higher wages and better conditions, these companies moved out to the Philippines turning it within a short time into the world's largest pineapple exporter, and making use of a good part of the two-thirds of Philippine agricultural land which is used by multinationals for export agri-business.

Now who was this investment decision appropriate for? Not for the workers in Hawaii, thousands of whom were left unemployed. Not even for the Philippine peasants, who cannot afford to eat what they labour to produce. And certainly not for those Philippine peasants who refused to lease their land to multinationals like Del Monte and subsequently faced severe intimidation.

This example could be multiplied many times with respect to other countries, companies and products.

Philip Wright,
University of Sheffield,
Division of Continuing Education,
Broomspring House,
85, Wilkinson Street, Sheffield.

Reading the meter

From Mr J. Snow

Sir,—What amazes me in the matter of meter readings is the difference between the insolent attitude of my area Electricity Board—which seems to consider me incapable of providing it with a truthful reading—and the helpfulness of the Gas Board which willingly provides cards for its customers' use in cases where its meter readers cannot gain access.

J. R. Snow,
Meudon, Turnball, Chiseldon,
Swindon, Wilts.

Offer for shares in BP

From the Secretary, BP

Sir,—Mr Perry's letter (September 22) appears to be based on a misconception. Section 38 of the Companies Act 1948 does not apply to this offer for sale since the prospectus has not been issued by or on behalf of the power of the company. That BP and in any case the shares offered are, as he pointed out, listed on the Stock Exchange. There is accordingly no requirement that the offer for sale should comply with the provisions of the fourth schedule to that Act.

The procedure followed in this case reflects that adopted in relation to other offerings of securities which are already listed, where full information regarding the company concerned is available in the market.

J. E. Wedgebury,
Britannic House,
Moor Lane, EC2.

Abolishing the GLC

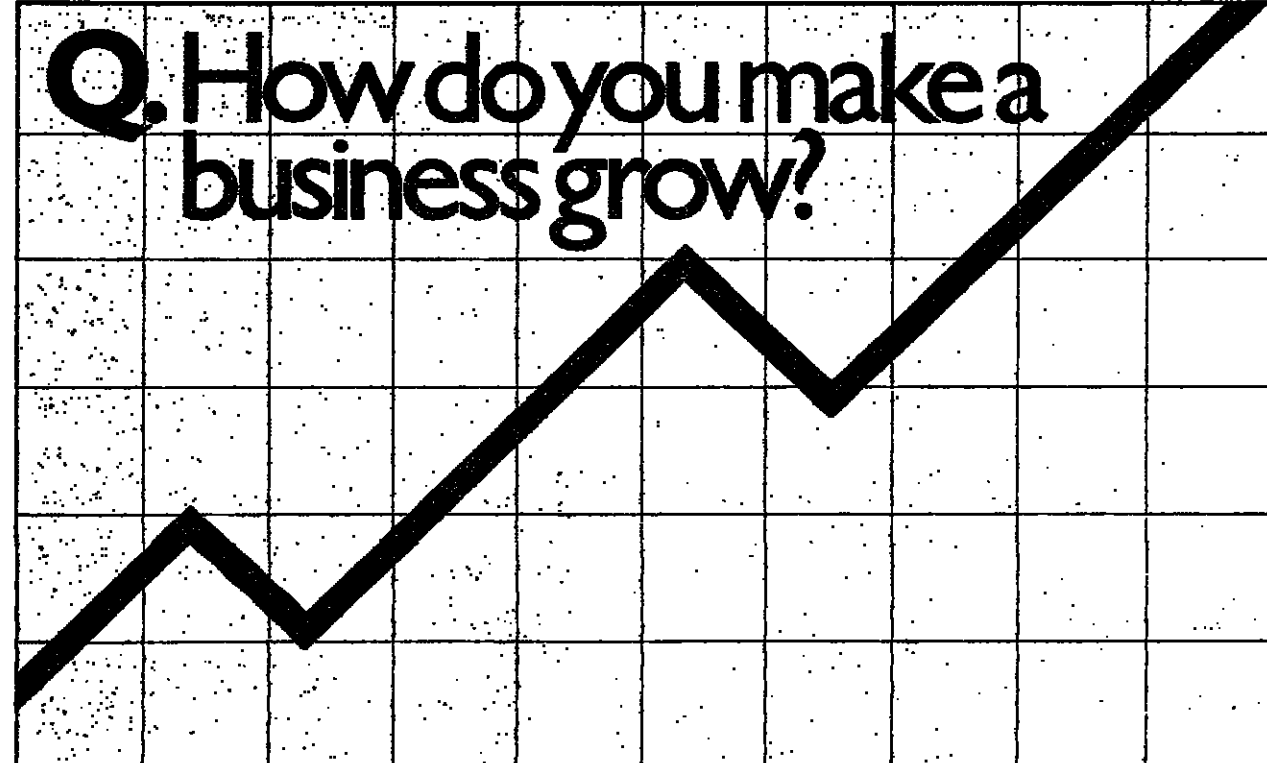
From Mr H. Wine

Sir,—Mr Peter Waine's letter (September 16) shows how little thought the Confederation of British Industry has put into the problems that would be posed by the abolition of Greater London Council.

If the £770m which the GLC costs annually is to be saved, then either all of its present functions must cease to be done, or they must be done by the existing (not additional) staff employed by the London boroughs. If the latter, are existing staff to be paid overtime for doing work for which they have less expertise than the GLC staff, or will the change simply lead to further delays in the implementation of transport and environmental works and the processing of planning applications? How much will the reorganisation cost and why should London, alone of this country's major cities, not have democratic control over transport and other matters.

The fact is that abolition of the GLC only became a political issue when Labour won control. If Mr Waine really wants to encourage London's businesses, he should start supporting the cheap London transport policies advocated by Mr Livingstone. No other policy would more quickly generate a more prosperous and clean city.

H. M. Wine,
53, Christchurch Road, SW14



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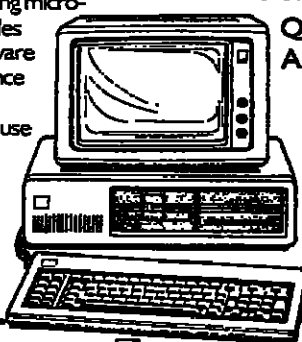
A. All of it. Everything you need to set up your system is covered by our unique Greens Micro Lease. Hardware, software, delivery, installation, training, maintenance and a helpline service are all included in your monthly payment.

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LONDON ANALYSTS WELCOME FORMER BL CHIEF'S COMPUTER APPOINTMENT

Edwardes to take over at ICL

By Jason Crisp in London

SIR MICHAEL EDWARDES, executive chairman of BL for five years until the end of 1982, is to become chairman of ICL, the British computer company which had to be rescued by the Government.

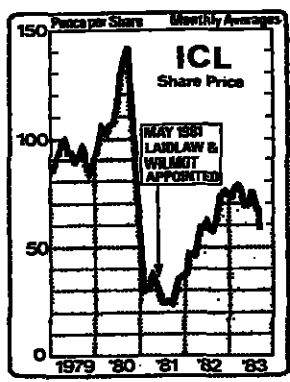
Sir Michael will succeed Sir Christopher Laidlaw, who has been ICL's chairman since May 1981, just after the government rescue.

ICL said that Sir Christopher, aged 61, believed the time was now right to hand over to a younger man, Sir Michael Edwardes, aged 52, joins the ICL board on 1 October as a non-executive director. He will become executive deputy chairman on April 2 1984 when Sir Christopher retires.

Sir Christopher Laidlaw, joined ICL from BP where he was senior deputy chairman. When he leaves ICL next year he will have been with the company three years. His initial contract had been for two years.

Both Mr Robb Wilmut, managing director of ICL, and Sir Christopher were appointed by the British Government after it had rescued the company with loan guarantees of £200m (\$300m) in March 1981. ICL is the largest British-owned computer company, with sales of £721m in the year ending September 1982.

After losing £50m in 1981, the company is now back in profit. Last year it made £23.7m pre-tax profit. The two most important aspects of the rescue were the dramatic cutting of costs by slashing a third of ICL's 30,000 workforce and the widening of the product range through



a number of collaborative deals with other companies. The collaborative deals included chip technology and very large computers from Fujitsu, a powerful professional microcomputer from the U.S. company Three Rivers, a personal computer from Rair, a British operation, and a digital telephone exchange from Mitel in Canada.

As part of the process of rebuilding confidence in the company, ICL announced its product strategy for several years in advance. In some ways, this has backfired, because any problems with those products or the collaborative deals have been seen as very damaging.

Sir Michael will earn more than £100,000 a year as chairman of ICL, which is seen as a full-time job. He will, however, keep some of his non-executive jobs such as the chairmanship of Chloride, the company he once ran. Sir Michael will also

benefit from share options at ICL, which the company said would be "commensurate with his responsibilities."

London analysts' reaction to Sir Michael's appointment was generally favourable, although some questioned whether Mr Wilmut would get on as well with Sir Michael as he had with Sir Christopher. As one broker put it: "Here is one man with a strong, vibrant personality meeting another with a strong, vibrant personality. Like steel meeting flint, there will be sparks. Let us hope they are positive sparks."

Mr Wilmut, the dynamic, workaholic, technological whizz-kid who made his reputation turning round the troubled British subsidiary of the U.S. electronics group, Texas Instruments, was aged only 38 when he joined ICL. He was counterbalanced by the wise and mature Sir Christopher, then 58.

While Mr Wilmut dived into ICL's technology, products and management, Sir Christopher set about reassuring the City of London and the Government about the company's future. Sir Christopher's role in rebuilding confidence in the company has been highly praised in the City. His role was crucial in two rights issues needed to restructure ICL's ailing balance sheet.

As one analyst close to the company put it yesterday: "Sir Christopher brought weight and sagacity with his experience from BP while

Robb had silicon charging through his veins."

After being much heartened, and relieved, at the rescue of ICL, the view of the company has been falling over recent months. There are a number of reasons:

● Problems with some of the collaborative deals. The Rair computer has not been a success. More important, Mitel, one of the leading manufacturers of private telephone exchanges, ran into difficulties with its new powerful digital exchange, which ICL was to sell as part of its move into office automation.

● Industrial relations problems which threatened in the summer.

● ICL was seen to lose some important contracts. One of the most alarming bits of news was that it could be losing a big contract at British Telecom. At one point it seemed as if the state-owned telecommunications group was going to adopt an American-developed software package for itemised billing to customers, which would probably use IBM computers.

● IBM's pricing and new model policies. All the leading mainframe computer companies have been badly hit by the new "mean and lean," IBM which has taken a very aggressive stance. Only a few days ago, IBM announced another series of price cuts and new models which are very hard for other manufacturers to follow.

● ICL's shares have been affected by the general weakness of the electricals sector on the London stock market.

Paris will need extra cash for defence budget

By David Housego in Paris

THE FRENCH Government is expected to introduce a supplementary defence budget in December to finance the cost of military operations in Chad and Lebanon.

This emerged yesterday after M. Jacques Delors, the Finance Minister, had confirmed before the National Assembly that the operations would require additional budget allocations.

Officials said yesterday that the Defence Ministry was currently bearing the cost out of its reserve funds. These are credits already voted for items such as fuel stocks or spare parts but so far unused.

The Ministry of Defence is now costing the operations, which represent France's largest deployment overseas since the Algerian war. France has 2,000 troops in Lebanon and 3,000 in Chad.

Opposition deputies have put the cost of the French involvement in Chad at FFr 200m (\$24.8m) a month, and of France's participation in the multinational force in Lebanon at more than that. The French contingent is now supported by the aircraft carrier Foch in the Eastern Mediterranean and by support ships.

The major cost in Chad was the initial expenditure in transporting troops and equipment in August. Since then, costs have been running at a lower level, though there is additional expenditure since troops serving in Africa, for instance, receive a bonus.

In the present climate of financial stringency, the Government will be anxious to keep supplementary budget as low as possible. In part, this will be done by shifting some of the costs of the war on to other ministries. Officials said yesterday that the Ministry of Co-operation and Development would certainly be called on to bear part of the expenditure.

In all, France has some 30,000 troops currently abroad. These include some 2,800 in New Caledonia, 3,500 in Djibouti, 3,300 in Central and West Africa apart from Chad, 3,300 in Mayotte and Réunion, and 4,500-5,000 in Polynesia.

French military planning now also provides for the possible deployment of a "Rapid Action Force" overseas which will total some 47,000 men. The major task of this force, however, is intervention in Europe, for which it will have a strong helicopter capability.

Bethlehem Steel issue to raise \$100m

By Terry Doodsworth in New York

BETHLEHEM STEEL, the second largest steel company in the U.S., which has run up heavy losses over the last 18 months, is planning to raise external finance for the second time this year through the issue of convertible preferred stock.

According to proposals filed with the Securities and Exchange Commission yesterday, the company is aiming to generate about \$100m through the issue of 4m convertible shares at \$25 each. Dividend policy on the stock has not been announced, but Bethlehem raised \$125m in March through a convertible issue which carries a \$5 dividend on every \$50m unit of stock.

Bethlehem said yesterday that the proceeds of the issue will be used to fund capital spending requirements and other general corporate purposes.

And more good news. Nearly 70 overseas firms from 15 countries have moved to Northampton, bringing new investment and making this one of the UK's fastest growth points.

cent shareholding in Sumitomo Rubber. The Japanese company will arrange to find buyers for the shares.

Of the total consideration of £25m, Dunlop will receive about £14m later this year and the rest by January 1985. Sumitomo will also buy Dunlop's tyre inventories, which should release about £30m of cash.

Book value of the assets and shares Dunlop is selling is £34m, so there will be a net extraordinary charge, including asset write-offs and additional rationalisation costs, of about £25m.

THE LEX COLUMN

Rising sun behind Fort Dunlop

Dunlop's decision effectively to withdraw from the European tyre business is as sad an admission of defeat as any in Britain's recent industrial history. Yet, from the group's vantage point, it must be the sensible - and very possibly the only - way to stay in a business of any kind. The European tyre debacle has long threatened the viability of the whole company.

But, while the deal with Sumitomo looks right strategically, it is not in itself any guarantee of a future for Dunlop. As to be expected, the Japanese company has taken what suited it and has not paid over the odds even for that.

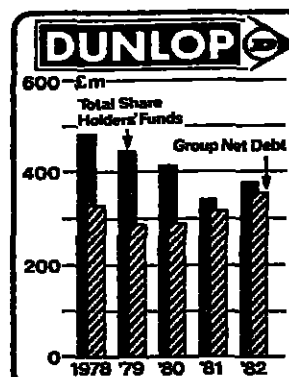
For its £25m, Sumitomo will receive the pick of Dunlop's European tyre factories, including the highly efficient Washington, North-East England, plant, licences and technology and, in effect, 40 per cent of its own shares. Dunlop is understandably coy about breaking down this figure but, on the basis of market values, the share package might be worth around £30m, the intangible assets perhaps £10m, and the bricks and mortar the balance of around £40m. After providing for some capital gains tax liability and reorganisation costs before the sale, Dunlop will take a write-off of £25m to reserves.

The December balance sheet will not be a pretty sight. After a £28m attributable loss in the first half and with extraordinary costs on the closure of Cork still to come, it would be surprising if the retained profits looked much different from the previous year's £33m.

There will naturally be a significant reduction in year-end debt. Capital spending has been pared back to equate roughly with the depreciation charge this year, some working capital should be released and the group will have received the first tranche of the Sumitomo payment. Having provided in full for the cost of the write-off, Dunlop may also take credit for the second £41m, due at the beginning of 1985.

One remaining area of uncertainty is how the group treats the sale of half its 51 per cent interest in Dunlop Industries. There is still no sign of the £55m, now long overdue. No matter how the figures are arranged, however, net debt looks set to exceed group shareholders' funds.

Yet the heaviest write-offs may emerge after the Sumitomo flag has been hoisted above Fort Dunlop. The businesses being sold accounted for only £3m out of a £14m six-month operating loss in European tyres. France represented most of



the rest with the car tyre plant at Fort Dunlop also in the red. These assets must by now be heavily written-down but Dunlop would probably be satisfied if it could withdraw completely, which is the obvious intention, at a cost to reserves of under £50m.

All the damage is taking place within ordinary shareholders' funds which, once all these exercises are completed, may total only about half total shareholders' funds. Almost all the debt, however, relates to the wholly-owned subsidiaries so, even at last night's depressed price of 57p, net asset valuations have to be viewed with care.

If Dunlop can finally extricate itself from the mud, there is opportunity enough for the bold. Ex-tyres, the UK business alone could make £40m a year pre-tax. Whether or not Dunlop enjoys the fruits of its labours is another matter. If all goes well, it will be an ideal candidate for a takeover and break-up, particularly for someone who can use UK tax losses which by now must amount to a couple of hundred million pounds.

Rowntree Mackintosh

Future results from Rowntree Mackintosh are scheduled to show a dramatic change in its group profile, with UK profits falling from a most 70 per cent of the total in 1982 to hardly more than a third, perhaps, next year. Since the impact of this strategy in 1983 is falling very largely in the second half, an air of the betwixt and between hangs over yesterday's interim results. But Rowntree Mackintosh has certainly not fallen between two stools: pre-tax profits up from £13.7m to £16.1m at least confirm earlier indications that it is building on a domestic base as secure as any can be in the competitive UK confectionery market.

Turnover here has fallen in line with a declining market in sugar products but has comfortably outpaced the market on the chocolate front, with key brand performances from Aero bars and Kit Kat, to produce a slight advance in overall market share. Margins have been held against the odds, so UK trading profits have risen by close to 10 per cent in line with total UK confectionery turnover even before taking account of a first time contribution of nearly £1m from Rileys Potato Crisps.

Its strong cash flow should enable the group to complete its £50-55m capital spending for 1983 without pushing the year-end net borrowings over 40 per cent of shareholders' funds despite the addition of £135m of new debt for its two recent North American acquisitions. Now Rowntree Mackintosh is looking for as much as a 63m boost from these new subsidiaries in the current half, alongside a group sales volume gain of about 5 per cent, for pre-tax profits of £80m or so by year end.

Vickers

After a fair amount of tinkering under the bonnet, Vickers is still a long way from anybody's idea of the smoothly running corporate machine. In the half year to June, sputtering results even from the five businesses which constitute the "core" of Vickers (and presumably from unmentionable activities on the periphery as well) saw pre-tax profits slide by a quarter to £7.5m.

Things are going somewhat better at Howson-Alphaply, where new production lines have overcome their teething troubles of 1982, and a hefty price cut on Rolls-Royce cars has got U.S. sales moving at the 100 units a week which were needed to plug stocks into line.

Although deliveries from the defence and marine businesses will pick up in the present half, there is no lift in the capital goods activities, and there are worsening results from the Australian company - up for sale - and South Africa.

Nevertheless, Vickers' dividend should be safe enough at last year's 8p - a 10.1 per cent yield at yesterday's 116p - though with profits of perhaps £22m for the full year, cover is likely to be less than generous; the prospect of windfalls from human rights litigation in the European Court and from disposals may be more consoling than the trading outlook.

Wometco in \$1bn buyout

By Paul Taylor in New York

WOMETCO Enterprises, the entertainment, cable TV and soft-drink bottling company, has agreed to a \$843m bid by a group of investors led by Kohlberg Kravis Roberts and Co, the leveraged buyout specialists. The total package is worth more than \$1bn.

Under the terms of the agreement the investment group will pay \$48.50 a share for the 18.1m Wometco shares outstanding and assume Wometco's outstanding long-term debt of around \$170m.

Wometco has been the subject of repeated speculation about its future since the company's founder, Mr Mitchell Wolfson, died in January. The company confirmed yesterday that it had held talks with "a number of possible purchasers" but concluded that the price and the structure of the Kohlberg bid was the most favourable.

The details of the acquisition are particularly complex. Under the terms of the agreement it will be achieved through the merger of Wometco and a new private company to be formed by Kohlberg Kravis which will include a number of private investors and in which some of the existing Wometco management will have a minority stake.

Kohlberg Kravis said the deal will be structured as a leveraged buyout but added that the new company will acquire all the financing for the acquisition on an unsecured basis.

Wometco said yesterday that one of the particular attractions of the deal is that the management of the company and its 7,500 employees are expected to be retained.

The Miami-based company has interests in cable television, television broadcasting, subscription television, Coca-Cola bottling, automatic vending and entertainment. Last year it had revenues of \$493.4m and earnings of \$25m.

Kohlberg Kravis is a privately owned banking firm formed in 1976 that has specialised in leveraged buyouts - which usually involve using the assets of the company to be acquired as collateral for funds raised to complete the acquisition.

The proposed transaction is subject to a number of conditions, including the approval of the Federal Communications Commission (FCC) for the transfer of television station operating licences to the new company.

UK warns of retaliation unless U.S. outlaws unitary taxation

By Stewart Fleming in Washington

A TOP-LEVEL British business delegation warned yesterday that the UK Government might take "retaliatory measures" if the U.S. failed to abolish the unitary taxation system under which some U.S. states are taxing foreign multinational companies on part of their overseas earnings.

The delegation, which includes Mr Patrick Sheehy, the chairman of BAT Industries, Sir Jasper Holman, the former deputy governor of the Bank of England, and Mr Roger Moate, Conservative MP for Faversham, yesterday met Mr Donald Reagan, the U.S. Treasury Secretary, to press their case. Mr Moate said he expects the issue to be on the agenda when President Ronald Reagan meets Mrs Margaret Thatcher in Washington next week.

The delegation has arrived in some haste in the U.S. following signs that the Reagan Administration is giving lower priority to plans to back legislation which would outlaw unitary taxation as it affects offshore earnings.

Last week, the President referred

back to the cabinet council a proposition which recommended that the Administration back the legislation and support a re-hearing of the Supreme Court's decision. That decision has been interpreted as supporting the unitary tax system as it affects not only domestic but also offshore corporate income.

Mr Sheehy, who heads the company which has spearheaded the campaign, said that he has not given up hope of Administration backing. But close observers in Washington suggest that Mr Reagan's action reflects his reluctance to get into a fight about an issue affecting the State's taxing powers ahead of an election. Moreover the President's home state of California is one of the major beneficiaries of unitary taxation.

Mr Sheehy and Mr Moate both warned yesterday that the UK Parliament could retaliate in the next Finance Bill through steps to modify the UK/U.S. double taxation treaty, which gives particularly favourable tax treatment to U.S. companies in the UK.

Christian Tyler adds from London: The UK businessmen's Washington protest was reinforced by a deputation to the U.S. embassy in London.

Sir Terence Beckett, director general of the CBI, the British employers' federation, said that if unitary taxation spread through the U.S. states and was copied by other countries' governments, multinational companies would face an "intolerable and costly administrative burden on management."

According to the CBI afterwards, Mr John J. Louis, the U.S. ambassador, was told by the delegation that one state legislator in Florida had likened unitary taxation to finding money on the streets.

The U.S. ambassador agreed to convey the delegation's concern to Washington.

More than 60 UK companies were now affected by the taxation method in 13 states, the CBI said. Opposition to the system is international: the main protests have come from Britain, the Netherlands, Japan and Canada.

Colombia loan delayed by legal hitch

By Peter Montagnon in London

COMPLETION of the \$225m loan recently arranged for Colombia by a syndicate of 21 banks has been delayed because of a legal hitch that has deeply embarrassed Chemical Bank, the loan's coordinator.

The loan was due to be signed amid a blaze of publicity in London on Tuesday, but last night Chemical said in a statement that it was still waiting for some signatures following the emergence of a "legal question of a highly technical nature."

Sr Edgar Gutierrez, Colombia's Minister of Finance, and a majority of the participant banks had signed the loan documents but the legal question had forced a few participants to check back with their head offices, Chemical said.

Chemical, which said it drew the attention of lenders to the legal question at the signing ceremony on Tuesday, declined to discuss it in detail yesterday.

More Belgian unions accept peace formula

By Paul Cheeswright in Brussels

THE BELGIAN Government made a bitter attack on the Socialist trade unions in the public sector yesterday, apparently trying to isolate them. The attacks came as the major trade union groupings discussed whether to end the two-week-old public sector strike.

Socialist trade union leaders were not prepared to support an agreement reached on Wednesday evening, only to put it to their members.

The Liberal trade union grouping has formally accepted the settlement. Yesterday evening the Christian Democrats also accepted and called off their strike from midnight last night.

The Socialist union leaders meet today but early indications from branches around the country suggested a swell of opinion against the settlement terms.

In a newspaper interview, Mr Jean Gol, the acting Prime Minister in the Christian Democrat-Liberal

coalition, accused the Socialist public sector union of wanting to turn the dispute into a political strike. He called for a popular reaction against it.

The union leaders' failure to defend the agreement reached with the Government was either a sign of weakness or showed a desire to make impossible normal relations between the Government, as the public sector employer, and the union, said Mr Charles-Ferdinand Nothomb, the Minister of the Interior.

Most government services were at a halt yesterday although scattered transport services were available.

The strike sprang from concern about government plans to change pension and payment terms in an effort to save FFr 8.3bn (\$154.4m) on the 1984 budget. Wednesday's settlement, however, leaves the pensions and bonus payments systems for the public sector intact.

French jets attack Druze

Continued from Page 1

will ultimately bear fruit, reports from Damascus suggest that resumed peace negotiations involving Mr Robert McFarlane, the U.S. special envoy, have not gone well.

Meanwhile, in Washington, the House of Representatives foreign affairs committee defeated challenges from dissident Democrats yesterday and overwhelmingly approved a compromise plan to keep U.S. marines in Lebanon for another 18 months.

The vote sends the measure to the full house.

Dunlop jobs to go

Continued from Page 1

Sir Campbell added: "Of course we were reluctant to let go part of the historical core of Dunlop, but we came to the inevitable and, I think, wise conclusion that radical measures were necessary to stop the loss haemorrhage."

"We believe Sumitomo is determined to make a success of the operation it is buying, but it is under no illusion about the competitive nature of the European tyre market and the extent of its task."

The deal should be settled by the end of this year and phased over the next 15 months.

Apart from much of its tyre business, Dunlop will also sell its 40 per

cent shareholding in Sumitomo Rubber. The Japanese company will arrange to find buyers for the shares.

Of the total consideration of £25m, Dunlop will receive about £14m later this year and the rest by January 1985. Sumitomo will also buy Dunlop's tyre inventories, which should release about £30m of cash.

Book value of the assets and shares Dunlop is selling is £34m, so there will be a net extraordinary charge, including asset write-offs and additional rationalisation costs, of about £25m.

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World Weather

	C	F		C	F		C	F		C	F
Africa	24	75	Europe	23	73	Asia	23	73	South America	23	73
Algeria	24	75	Bahia	23	73	Bombay	23	73	Buenos Aires	23	73
Angola	24	75	Bombay	23	73	Buenos Aires	23	73	Calcutta	23	73
Argentina	24	75	Buenos Aires	23	73	Calcutta	23	73	Chennai	23	73
Australia	24	75	Calcutta	23	73	Chennai	23	73	Colombo	23	73
Brazil	24	75	Chennai	23	73	Colombo	23	73	Dhaka	23	73
Bulgaria	24	75	Dhaka	23	73	Dhaka	23	73	Delhi	23	73
Canada	24	75	Delhi	23	73	Delhi	23	73	Dubai	23	73
Chad	24	75	Dubai	23	73	Dubai	23	73	Guangzhou	23	73
China	24	75	Guangzhou	23	73	Guangzhou	23	73	Hong Kong	23	73
Columbia	24	75	Hong Kong	23	73	Hong Kong	23	73	Kobe	23	73
Costa Rica	24	75	Kobe	23	73	Kobe	23	73	London	23	73
Cuba	24	75	London	23	73	London	23	73	Los Angeles	23	73
Czechoslovakia	24	75	Los Angeles	23	73	Los Angeles	23	73	Madrid	23	73
Dominican Republic	24	75	Madrid	23	73	Madrid	23	73	Mexico City	23	73
Ecuador	24	75	Mexico City	23	73	Mexico City	23	73	Monterrey	23	73
El Salvador	24	75	Monterrey	23	73	Monterrey	23	73	New York	23	73
France	24	75	New York	23	73	New York	23	73	Osaka	23	73
Germany	24	75	Osaka	23	73	Osaka	23	73	Paris	23	73
Ghana	24	75	Paris	23	73	Paris	23	73	Rome	23	73
Greece	24	75	Rome	23	73	Rome	23	73	Sao Paulo	23	73
Haiti	24	75	Sao Paulo	23	73	Sao Paulo	23	73	Seoul	23	73
Honduras	24	75	Seoul	23	73	Seoul	23	73	Shanghai	23	73
Hungary	24	75	Shanghai	23	73	Shanghai	23	73	Singapore	23	73
India	24	75	Singapore	23	73	Singapore	23	73	Stockholm	23	73
Indonesia	24	75	Stockholm	23	73	Stockholm	23	73	Taipei	23	73
Iran	24	75	Taipei	23	73	Taipei	23	73	Tel Aviv	23	73
Italy	24	75	Tel Aviv	23	73	Tel Aviv	23	73	Tokyo	23	73
Japan	24	75	Tokyo	23	73	Tokyo	23	73	Trinidad	23	73
Jamaica	24	75	Trinidad	23	73	Trinidad	23	73	USA	23	73
Kenya	24	75	USA	23	73	USA	23	73	USSR	23	73
Malaysia	24	75	USSR	23	73	USSR	23	73	West Germany	23	73
Mexico	24	75	West Germany	23	73	West Germany	23	73	Yugoslavia	23	73
Morocco	24	75	Yugoslavia	23	73	Yugoslavia	23	73			
Netherlands	24	75									
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Yugoslavia	24	75									

Readings at mid-day yesterday:

C-Closely D-Distinct F-Fair
S-Sun ST-Storm S-Snow
T-Thunder

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SECTION II - INTERNATIONAL COMPANIES

FINANCIAL TIMES

Friday September 23 1983

TAYLOR
WOODROW
SITING
TEAMWORK IN ENGINEERING
WORLDWIDEPennzoil clears way
for \$4bn oil
and gas 'war chest'

BY PAUL TAYLOR IN NEW YORK

PENNZOIL, the Houston-based energy and mining company, said yesterday that it had formed a new \$500m joint venture oil and gas production company with a group of private investors in order to acquire producing oil and gas properties - either from individuals or in corporate form.

The innovative deal will effectively enable Pennzoil to leverage its own capital to make major acquisitions. Together with the new company, Proven Properties Inc (PPI), Pennzoil will have a \$4bn cash 'war chest' to buy new energy properties.

Mr Hugh Liedtke, Pennzoil chairman, said yesterday that PPI should be able to finance acquisitions 'in the range of \$1.5m'. He added that Pennzoil itself had a recently renewed \$2.5m production line of credit which together 'should total enough to enable the new company to compete effectively in making these acquisitions'.

The company, which has recently been widely rumoured to be on the acquisition trail, added that its board and management 'feel that major opportunities exist to purchase producing properties now and in the future on reasonable terms'.

Pennzoil, which was founded in 1953 by Hugh and William Liedtke and Mr George Bush, the U.S. vice president, has assets of over \$3.2bn. Last year the company had net income of \$129m on sales of \$2.27bn.

The company, explaining the move to set up the joint venture, in which it will have a 49 per cent stake, said this will enable it to participate in major business opportunities without 'over-extending Pennzoil's structure' or reducing its exploration and development activities.

Under the terms of the agreement with the unnamed private investors - primarily insurance companies and pension funds but with a few individuals - they will control the remaining 51 per cent stake in the new company. The company's assets will initially consist of about 12.1m shares in Pennzoil preference common stock, paying an annual fixed dividend of \$2.32 a share. PPI has paid \$281.5m in cash - the contribution from the private investors - for 6.2m shares, with the remainder making up Pennzoil's 49 per cent interest in the joint venture.

Pennzoil will operate the new company under a management contract with PPI.

New twist
in Holmes
& Court's
BHP bidBy Michael Thompson-Noel
in Sydney

MR ROBERT Holmes & Court, the Perth tycoon, played another card yesterday in his offer for shares in Broken Hill Proprietary (BHP), Australia's biggest company.

He said that Bell Group, his master company, would pay A\$40.01m (\$35.6m) for the assets of Wigmores, a recently acquired Bell Group subsidiary, through which Mr Holmes & Court launched an audacious share-swap offer for BHP.

BHP directors have firmly rejected Mr Holmes & Court's overtures, claiming the offer is a capital raising 'device' using BHP shares as its medium.

Wigmores' main asset is the Caterpillar earth-moving equipment franchise in Western Australia.

The revised offer for BHP, unveiled this week, is two Wigmores shares, plus A\$1 cash, plus a free option to subscribe for one Wigmores share at A\$6 before next October 31, for each BHP share.

Bell's A\$40.01m offer for Wigmores' assets puts a value of about A\$6.20 on each Wigmores share, and thus a theoretical value on the BHP bid of A\$13.40 per BHP share, plus the option.

At one stage yesterday, BHP's share price slipped back to A\$12. Mr Holmes & Court has therefore, more than caught up with recent gains in the BHP share price, and restored credibility to his manoeuvring, which initially generated little but scepticism.

At one stage this year, BHP shares were trading at A\$6.10.

Weaker third
quarter
for Chrysler

THIRD-QUARTER earnings at Chrysler, the third biggest U.S. motor manufacturer, would be the weakest of the year, Mr Lee Iacocca, Chairman, told Reuters in Detroit.

In the first half of the year Chrysler earned a record \$482.4m or \$4.72 a share on sales of \$8.67bn. However, third-quarter earnings will only be 'adequate'.

Mr Iacocca said the fall in earnings would be caused by plant closures to enable changeover to assembly of 1984 models of vans and sports cars. However, this investment would pay off handsomely in the fourth quarter, which would be 'a barn burner'.

Payments of quarterly dividends to common stockholders - the last was in the 1979 second quarter - were not likely this year, he said.

'Hopefully it will occur in 1984 but I wouldn't want to commit to that.' Last week Chrysler said it would resume payment of dividends, including arrears, to preferred stockholders by December.

Hughes Tool
sees recovery

By Our Financial Staff

HUGHES TOOL, the world's leading producer of oil and gas drilling bits, is likely to return to profitability in the fourth quarter followed by a 'real pick-up in 1985,' according to Mr James R. Leach, chairman.

However, the third quarter is expected to show a loss following the half-year slide from a \$112.8m net profit to a \$22.4m loss.

Price increases will help the recovery. Hughes' rock bit plant at Houston is producing half the level needed to meet current sales as stock are cut.

Last year the group was hit by the steep fall in U.S. drilling activity and net profits ploughed from \$255.2m to \$147.6m.

WEST GERMAN BANK ENTERS WIDER ARENA WITH FRESH CONFIDENCE

NordLB finally lays the ghost of Rollei

BY JOHN DAVIES IN FRANKFURT

NORDDEUTSCHE Landesbank (NordLB) long haunted by the Rollei camera company debacle, has found an exorcist in the youthful form of Dr Bernd Thiemann.

Since he became chief executive two years ago at the age of 38, the West German publicly-owned bank has paid off ahead of time, the remainder of the DM 250m (\$83.3m) stake aid which it received to help cover its Rollei losses.

He is now taking the bank - its image polished and confidence restored - into a wider international arena by preparing to set up an operation in London, long after many other German banks have become active there.

London will be tapped as a source of dollar funds, supplementing the bank's present international activities spearheaded from its Hanover headquarters and its Luxembourg subsidiary.

Dr Thiemann, who is the youngest chief executive at West Germany's 11 Landesbanks and one of the youngest top bankers in Europe, presides over an institution whose assets at June 30 were put at DM 58.2bn. It is 60 per cent owned by the Government of Lower Saxony and 40 per cent by regional savings banks.

NordLB now claims to have moved ahead of the Hessische Landesbank to third position among the Landesbanks in terms of assets following a merger operation in Bremen which gave it a 75 per cent stake in a new credit institute.

Dr Thiemann took over the top job a few months after NordLB had rid itself of its stake in Rollei, but with the wounds from the lengthy and increasingly desperate rescue operation still fresh.

Rollei, based at Brunswick, in Lower Saxony, found that it could not defend its traditional camera business in the face of Japanese competition. Even an attempt to move most production to Singapore to benefit from lower wage costs failed to salvage the enterprise.

NordLB found itself eventually with almost all the share ownership and liability, until it turned over its stake in 1981 to Herr H. Porst, head of a Nuremberg photographic chain. After his efforts foundered, Rollei was re-started on a more modest basis and brought under the auspices of United Scientific Holdings, of the UK.

NordLB's own problems grew as it incurred mounting losses in its attempt to support Rollei and save workers' jobs.

The bank's total losses on Rollei have been reported unofficially at more than DM 700m - a figure never denied by the bank. As a result, the state Government of Lower Saxony stepped in to help NordLB with aid of DM 250m in 1974.

Earlier this year, however, Dr Thiemann announced that the bank had decided to pay back the outstanding DM 170m, even though repayments were not due to be completed until the end of 1985. To

make the repayments, the bank not only took advantage of an increase in profits in 1982 - a benefit enjoyed in line with other West German banks - but also mobilised reserves, including those from an associated home mortgage bank.

By ending the state aid liability, NordLB has paved the way for efforts to strengthen its capital base and reserves. Dr Thiemann's action also drew a line firmly under the Rollei involvement in preparation for the bank's fresh activities.

While Rollei was a millstone around its neck, NordLB has also had other problem areas in common with other German banks - including AEG, where it lost between DM 200m and DM 250m.

Another headache has been the bank's stake in Allgemeine Deutsche Creditanstalt AG (Adca), an old bank revived after the Second World War. Adca has been languishing in recent years in spite of attempts to put it on a sounder footing.

Earlier this year, NordLB took over an 8 per cent Adca stake from Wells Fargo of the U.S., and re-acquired Bank of Montreal's 23.5 per cent stake.

With a total holding of 34 per cent, NordLB is in the process of restructuring Adca and unwinding its own involvement - with some Adca branches going to a regional bank and negotiations underway with Rabobank, of the Netherlands, to take over other business.

Dr Thiemann said that NordLB

Dr Bernd Thiemann:
chief executive

was heavily preoccupied in recent years with its 'old burdens' and there was no question at that time of taking a new step overseas.

Now it was part of the bank's strategy to open a representative office in London on October 1 and to lay the groundwork for a branch office to open by about the beginning of 1985, he said. The London branch would be an important source of liquidity.

Although the era of fast growth in Luxembourg was gone, the bank would remain there, Dr Thiemann said. NordLB's Luxembourg oper-

ation had a balance sheet total of DM 4.9bn at the end of last year.

NordLB is a major bond issuer on the West German domestic capital market. The amount of bonds outstanding at the end of last year was DM 27.5bn.

Along with other German banks, it is taking a cautious approach to business, aiming at profitability rather than growth.

Although NordLB has involvements in Eastern Europe and Latin America, it describes itself as in the medium category of Landesbanks in terms of international loan exposure. International activities make up about 8 per cent of the bank's balance sheet total and about 10 per cent of its earnings.

Dr Thiemann, who rose in the savings bank structure in Lower Saxony before switching to NordLB, said that although operating profits had improved considerably, the bank was determined to maintain a strong provision for risks.

Asked when the bank is likely to resume a dividend payment to its public owners, he musters the force of argument sharpened during his earlier training as a junior barrister.

If the bank's owners should raise such a question before the end of 1985, he would point to the repayment of state aid ahead of the agreed schedule and the need for a capital increase to boost its financial strength.

Trilogy aims for
10% market share

BY DAVID MARSH IN PARIS

TRILEGY Systems, the newly formed California-based computer company which aims to challenge world leader IBM in the high-performance computer market, hopes to capture 10 per cent of this fast-growing sector by the time it makes its first shipments in 1986.

This was stated yesterday in Paris by Dr Gene Amdahl, Trilogy's founder and chairman, who with his previous company, Amdahl Corporation, has already built up an impressive record of competition with IBM.

Dr Amdahl is in Europe partly to help promote to European banks and investors Trilogy's forthcoming U.S. stock offering planned for next month. In an underwriting managed by Merrill Lynch, Trilogy will be offering to the public around 5m shares, or 12-15 per cent of its stock, expected to raise about \$100m.

This is in addition to the \$240m of capital already arranged from all sources to back Trilogy, Dr Amdahl said.

Trilogy also includes among its shareholders three internationally active computer companies trying to make inroads into IBM's world dominance. They are Digital Equipment, which holds about 9 or 10 per cent, Sperry with 15 per cent and the French national computer group, Bull, with 9 per cent.

The three companies have all signed licence agreements to use Trilogy's technology, which is centred on a revolutionary way of interconnecting computer circuits based on one very large chip.

Dr Amdahl, who had a successful career designing large-scale systems at IBM before founding Amdahl Corporation in 1970, said the market for very large computers with performance of over 25m instructions per second would total around \$100m in 1988.

Trilogy aimed to take about 10 per cent of this market with shipments of around 170 to 180 computers in 1988 (each priced at about \$5m) out of estimated total orders of 2,000, Dr Amdahl said.

He expected Trilogy's machines would offer more than twice the performance of the highest-powered computers being marketed by IBM in 1986. He also saw benefits from licensing agreements with other manufacturers.

'We expect most manufacturers of high-performance electronic equipment will find it advantageous to acquire technology from us. There will be no alternative available in the market-place,' Dr Amdahl said, adding that Trilogy expected to keep its technological dominance in very large systems until some time in the 1990s.

AT&T to
cut long
distance
chargesBy Our New York
Correspondent

AMERICAN Telephone and Telegraph (AT&T), the U.S. telecommunications company, is planning to cut its long-distance tariffs by between 10 and 15 per cent at the beginning of next year to coincide with the divestment of the Bell operating companies.

The proposals are a direct result of the dismemberment of the Bell system into eight parts, of which seven will run regional telephone services. Under the present organisation, local telephone networks are subsidised by long-distance charges. This subsidisation will disappear in favour of a more market-orientated tariff structure once the reorganisation takes place.

AT&T said that the decision to slash rates would cost it around \$1.75bn a year in revenue and that its ability to achieve the reduction would depend upon no changes or delays in implementing the Federal Communication Commission's access charge order - relating to the charges which are to be levied on the transfer of calls from local to long-distance services.

The Bell operating companies are expected to file tariffs for access charges by the end of this month, and AT&T stressed that its own planned long-distance reductions depended upon these proposed rates being authorised.

AT&T will be under heavy competitive pressure from expanding long-distance carriers, such as MCI, to bring down its rates once it is operating as a separate unit. But there has been considerable criticism in Congress over the projected rise in local tariffs, on the grounds that telephones are a valuable social service.

Any attempt to hold down these charges for political reasons could well rebound on AT&T, since the local companies might want to raise additional revenue by increasing the access charges to the long-distance supplier.

Avco earnings ahead

BY OUR FINANCIAL STAFF

IMPROVEMENTS in three out of its four main divisions helped the diversified Connecticut-based group Avco to continue its profits upturn in the three months to August.

Net profits for the quarter were up from \$22.02m to \$28.31m, or from 92 cents to \$1.18 a share, taking the nine-month total to \$76.56m against

\$63.23m, or \$3.17 against \$2.82 a share.

Significant gains in financial services, propulsion systems and aerospace technology more than offset a fall in operating profit in management services.

Third-quarter sales were up 17 per cent, taking the nine-month total to \$2.01bn, against \$1.76bn.

Swire Properties up

BY ROBERT COTTRELL IN HONG KONG

SWIRE Properties, the main quoted subsidiary of the Hong Kong-based Swire Pacific group, has reported a 19 per cent rise in profits for the first half of 1983.

Net profits of HK\$210.2m (U.S.\$25.6m) compare with earnings of HK\$176.9m reported for the first half of 1982 and HK\$316m for 1982 as a whole.

An interim dividend of 16 cents is declared, maintaining last year's payout, and Swire Properties forecasts a final dividend at least equal to last year's 32 cents.

Mr Duncan Bluck, company chairman, said profits were helped by sustained demand for apartments in Swire's Taikoo Shing development.

This announcement appears as a matter of record only.

AUGUST 1983

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JULY 1983

INTERNATIONAL COMPANIES and FINANCE

Altech continues to grow

By Our Johannesburg Correspondent

ALLIED TECHNOLOGIES (Altech) the broadly-based South African electronics company continued to grow strongly in the six months to August 31, 1983.

Sales rose to R172m (\$153.4m) from R147m in the corresponding period of 1982, while the first-half pre-tax profit increased to R34.4m from R27.2m. Sales were R296m in the financial year to February 28, 1983, while pre-tax profit was R54.3m.

Mr Bill Venter, the chief executive, said that the first-half advance was almost entirely the result of internal growth by investment in new product areas and import substitution. He says that this provides further growth opportunities and expects higher levels of activity throughout the company during the current half year.

In the first six months a R35m facility for making advanced telephone exchanges was opened

ANI has strong year despite weak economy

By MICHAEL THOMPSON-NOEL IN SYDNEY

AUSTRALIAN NATIONAL INDUSTRIES (ANI), whose interests include heavy engineering, forging and car retailing, achieved a 15.8 per cent boost in net trading profit for the year to June 30, to A\$34.1m (\$30.3m), on turnover that was 43 per cent higher at A\$1bn.

A further increase in profit was expected in 1983-84, said Mr John Laird, managing director, though he could not see any recovery at hand in the Australian economy, and said ANI's improved profits

would be at the expense of its competitors.

Final dividend is a steady 9 cents a share for a total of 15.3 cents (previously 13 cents).

● The State Bank of New South Wales said yesterday that net profit in the year to June 30 was 6 per cent higher at a record A\$24m (U.S.\$21.4m). That was before an abnormal item, arising from a change in accounting procedure, which lowered the net profit by

A\$9.5m. It said the adjustment would be a one-off charge.

Mr Nicholas Whitlam, the bank's managing director, said that in the second half of 1982-83, "anticipated management expenses were substantially reduced, fees and commissions grew rapidly, and management of the bank's net interest income improved."

The State Bank's share of trading bank deposits in NSW at June 30 was 17.9 per cent (17.3 per cent previously).

Setback at General Instrument

By Our New York Staff

A SLOWDOWN in the U.S. cable television industry has had a sharp impact on the results of General Instrument, a major supplier of hardware and micro-electronic components to the companies providing cable links.

Second quarter earnings were more than two thirds down from a year earlier at \$8.04m, or 26 cents a share, against \$26.56m or 87 cents a share.

For the half-year net income stood at \$23.95m, or 75 cents, against \$35.97m or \$1.71 a share. Sales contracted from \$309.32m to \$433.35m.

The company also announced a joint venture with GEC of the UK to develop and market advanced cable and video conference system in Europe.

A UK-based company, to be called GEC-Jerrold, is to be formed through the Jerrold International at General Instrument and GEC's McMichael subsidiary.

Multi-Purpose buys control of Hong Kong shipping line

By WONG SULONG IN KUALA LUMPUR

MULTI-PURPOSE Holdings, the fast-expanding Malaysian Chinese investment conglomerate, is taking majority control of a Hong Kong shipping company and at the same time injecting it into a public-listed vehicle.

MPH, which paid \$12m for a 25 per cent stake in Promptship Holdings last April, said yesterday it was increasing its stake to 75 per cent.

The new stake is being bought from Mr Chien Kiang for an undisclosed amount. Mr Chien still holds the remaining 25 per cent in Promptship, which owns 30 ships totalling 10 tonnes.

MPH announced it would be transferring Promptship into New Star Development, a company listed on two of Hong Kong's four stock exchanges. Last July, Stranson, a subsidiary of MPH, bought 75 per

cent of New Star from its Hong Kong owners.

MPH said the total 100 per cent of Promptship would be injected into New Star for \$38m to be satisfied by a cash payment of \$8m and an issue of 26.46m New Star shares.

The enlarged New Star group would later come under Multi-Purpose International Trading Corporation (MITC), which is being injected into the MPH-owned, Singapore-based trading company, Guthrie Berhad.

MPH said it intends to develop MITC into a major trading group, and New Star would be expanded so that it could be a major shipping line servicing the Pacific Basin countries.

MPH, which is one of the top 10 Malaysian public companies, is at present involved in plantations, property development, banking and finance, and trading.

SE Banken reports steep rise in earnings

By David Brown in Stockholm

SKANDINAVISKA Enskilda Banken, a major Swedish commercial bank, reported a steep rise in pre-tax earnings for the eight months ending August, despite higher credit loss provisions.

Profits after currency losses and risk provisions climbed 5 per cent to SKr 1.2bn (\$152m). Net interest, equity trading and other income rose 31 per cent to SKr 2.7bn. The rise was attributed partly to higher volume as well as better margins, which have grown to 2.3 per cent from 2.06 per cent for the eight months last year.

On the consolidated account, group results were up 45 per cent to SKr 1.4bn.

Provisions for credit losses rose 53 per cent to SKr 193m, already above the SKr 189m registered for all of 1982.

Losses on bond transactions fell 30 per cent to SKr 59m. The figures have been compensated for changes in accounting principles adopted last year at the recommendation of the Swedish Bank Inspectorate.

The bank expects the rate of growth to be maintained through the year, allowing it to set aside funds to strengthen its capital base.

Early this month, the bank also announced it will strengthen its position in the London-based Scandinavian Bank, increasing its stake from 37 to 45.7 per cent following withdrawal of the consortium's two Danish shareholders.

In August, it strengthened its equity links with Volvo, Scandinavia's largest corporation, by an indirect share purchase bringing its voting rights to 10 per cent, from 5 per cent, in the closely associated company to about 20 per cent.

Profits rise by 10% at Swiss Reinsurance

By Our Financial Staff

SWISS Reinsurance has managed to increase profit for 1982 by almost a tenth despite poor underwriting experience, mainly on technical insurance business.

Net profits for last year emerged at SwFr 57.5m (\$40m), compared to SwFr 52.2m in 1981. The company, one of Switzerland's major financial companies, is to maintain its dividends.

Swiss Reinsurance said the rise in profit was due to an increase in investment income. Return on investment last year rose by 5.4 per cent.

Losses of the technical insurance business were much larger in 1982 than in 1981, the company said. Reinsurance was again observed as winding new reinsurance contracts.

Gross dividends are unchanged at SwFr 105 per Bearer and Registered share and SwFr 21 per Participation Certificate.

Oerlikon sees loss and may pass dividend

By Our Financial Staff

OERLIKON-BUEHLE, the Swiss group whose profits have collapsed dramatically in recent years, is heading for a loss this year and may not be able to pay a dividend.

The company, whose activities range from armaments to hotels and footwears, told shareholders yesterday that it would make a loss for 1983, and that as a result distribution of a dividend would call for careful consideration.

Last year Oerlikon reported net profits of SwFr 9.5m (\$4.4m) and paid a dividend of 5 per cent. Just three years previously, profits after tax had been running at SwFr 244m, from which shareholders received a dividend of 15 per cent.

Earlier this year, the company said that its Bally shoe operations were running below target, and that major capacity cuts in armaments would be needed. Significantly, it pointed out that it would no longer take weapons development costs against its balance sheet.

Over the years 1981 and 1982, development spending of SwFr 175m had been taken against the group balance sheet in order to avoid embarrassing the profit and loss account.

Ford expands Berlin plant

By Kenneth Gooding, Motor Industry Correspondent

FORD is to spend DM 715m (\$32m) to expand its plants component plant in Berlin, creating 200 jobs.

The plant makes instrument panels, radiator parts and other products for cars and the Ford Transit van. It came on stream only last year. Ford's total investment, following the expansion, will be DM 227m.

Brazilian reinsurer fights Finnish court action

By JOHN MOORE, CITY CORRESPONDENT

A FINNISH insurance company is attempting to wind up the Instituto de Resseguros do Brasil, the Brazilian state-owned reinsurance institute, in London. But the Brazilians are contesting the action in the UK courts.

Through the chancery division of the High Court, Kaikinainen Vahinkovakuutusyhtio Kansa, the Finnish group, has said in a petition that the IRB "should be wound up under the provisions of UK companies legislation."

At the centre of the dispute is an amount of £62,913.84 which the Finnish company alleges the IRB has refused to pay.

The IRB has taken legal advice from leading counsel, which has told it that the petition issued in respect of the disputed debt "is an abuse of process." Through its London solicitors, the IRB said that an application will be made at the hearing "to have the petition dismissed with costs."

The petition, which was issued at the end of August, is to be heard in November.

The IRB said that it "does not intend to let the matter affect its existing commitment to pay all valid claims presented."

INTERNATIONAL APPOINTMENTS

Moves at Bank of Scotland

● Mr George Mitchell, a manager of the BANK OF SCOTLAND'S Hong Kong branch has become vice-president and manager of the New York branch. He is joined there by Mr James Grant, an assistant manager of international division, head office, who has also been appointed a vice-president.

Mr Howard Tindall, an executive assistant at the bank's oil and energy department, is going to the bank's Houston office as a vice-president. Mr John Drummond, an assistant vice-president of the bank of Scotland's Houston office, returns to Scotland on October 1 as a manager of the international division's operations department in Glasgow.

● SCIENTIFIC-ATLANTA INC, Atlanta, Georgia, has promoted Mr Julian W. Edison to vice-president and controller of the company. He joined the company in 1973 and has served as controller since 1978.

● Mr Richard D. Tunick has been elected a senior vice-president of NATIONAL BANK OF NORTH AMERICA. He is head of the corporate finance division. He joined the bank's corporate finance department in 1973. Colons, an affiliate of National Westminster Bank.

● Mr Barry J. Mason has been elected chairman and chief executive officer of REPUBLIC BANK LAS COLINAS in Irving, Texas. Mr Evans will remain on the bank's board of directors. Mr Don Hammond, who has been president and chief executive officer of RepublicBank Las Colinas, assumes the new title of president and chief operating officer.

● Mr William W. Seranton, former governor of Pennsylvania and former ambassador to the United Nations, has been elected to the board of H. J. HEINZ COMPANY. Elected with Mr Seranton was Mr Karl von der Heyden, recently named senior vice-president finance. Mr Seranton serves on the boards of seven other companies.

GOLD FIELDS of South Africa Limited

(Incorporated in the Republic of South Africa)

Chairman's Review

The long-standing faith of Gold Fields of South Africa Limited in gold was the primary reason for earnings increasing by one-third to a new record level of 1.074 cents per share for the year under review. At the year end the consolidated net asset value was R2 994 million, more than double the corresponding figure at 30 June 1982 when the stock exchange prices of most of the group's major investments were at a cyclical low point.

WORLD ECONOMY

Once again, the year under review has been dominated by economic events in the United States. The tight monetary policy which has been pursued by the Federal Reserve Board over the past two and a half years has had a fundamental impact on the United States economy and the many inter-related economies around the world. In the United States the rate of inflation was reduced further during the year to a level of 2.6% at the end of June 1983 and high real interest rates continue to prevail. A consequence of the interest rate structure has been a further strengthening of the dollar in international markets which has encouraged a major capital inflow into the United States to take advantage of the attractive opportunities to invest in fixed interest securities. The recovery in that economy, which is primarily consumer-led, has been stronger than generally expected and, to the surprise of many, has taken place while interest rates have remained at historically high levels. Those industrialised countries which have followed comparable monetary policies and have achieved similar reductions in the rate of inflation, are beginning to show signs of economic recovery. On the other hand, those countries which have not taken appropriate steps to reduce their rates of inflation are languishing in the doldrums and have little prospect of benefiting significantly from the current recovery cycle.

The future economic welfare of the developing world continues to be a source of major concern. The size of the debt burden of those countries, particularly in Central and South America, shows no sign of reducing. International efforts by the International Monetary Fund and other public and private financial organisations have been directed towards stabilising the economic position of these countries. It is to be hoped that the necessary economic policy adjustments can be made in the individual countries in such a manner as to enable them to meet their debt servicing requirements without stimulating massive social and political upheavals. It is apparent that many of these countries will have to undergo prolonged stabilisation periods before they can contemplate resuming even modest development programmes. This forced change will inevitably have a significant effect on the growth of the world economy over the next decade.

SOUTH AFRICAN ECONOMY

The downturn in the South African economy has continued to gather momentum under the influence of world economic developments. In the last six months the downturn has been accentuated by the consequences of the major drought which has had a dramatic effect on the important agricultural sector of the economy. Directly and indirectly this has had a serious effect on that portion of industrial activity which is agriculturally orientated. In addition the drought threatens an even broader base of South Africa's economic activity as a result of the potential disruption in the food power supply. Crash programmes are under way to alleviate the hardship being suffered by the agricultural sector and also to mobilise as much of the country's water resources as possible to prevent a disruption in power supply.

While the intention of the South African authorities has been to pursue a strict monetary policy, this intention has not been carried through in practice. As a result the money supply has continued to grow at a rate which is well in excess of that applicable to our main trading partners. As a consequence the South African inflation rate continues at a high level. The June 1983 rate of 12.4% compares unfavourably with the rates of the major industrialised countries. Belatedly the South African authorities have realised that inflation has to be tackled more vigorously. Monetary policies have been adjusted recently to permit an all-out attack on this critical element in the economy. In my view the short-term price which has to be paid as a consequence of the stringent monetary policies which are now being applied will prove to be small compared with that which would arise from a continuation of the accommodated policies of the past. Failure to bring inflation under control can only lead to an ever-worsening cost spiral with the inevitable consequence that the value of the rand will continue to decline in world markets. Under these conditions, it will be impossible to sustain the level of long-term growth which is necessary for the advancement of all South Africa's people.

MANPOWER

During the year under review there have been a number of significant developments in the manpower field in the mining industry. In particular, progress has been made in the important area of eliminating discrimination. An agreement has been reached between the Chamber of Mines and the Underground Officials' Association which provides for the elimination of discrimination in occupations falling within the orbit of that Association. In the past the group has worked closely with the Association and welcomes the new developments which, *inter alia*, provide for all employees performing work falling within the scope of the Association to become members of the Association. This agreement led to the withdrawal by the Minister of Manpower of Job Reservation Determination No. 27 which had previously reserved occupations in the sampling, survey and ventilation departments for white employees only. The last remaining

legal obstacle to the elimination of discrimination in the mining industry is the contentious "scheduled person" definition of the Mines and Works Act.

Group mines have recently appended a number of black employees and it is to be hoped that they will be as successful as their coloured counterparts who were appointed at an earlier stage. The group's apprentice training has a high reputation for success based upon its insistence on a high standard of work being performed by its apprentices. The training programme is now non-discriminatory and entrance to it is based strictly on merit.

Two non-white trade unions gained official recognition within the mining industry, viz. The Federated Mining Union and the National Union of Mineworkers. Although these unions represent a very small proportion of the non-white work force, they were entitled to participate for the first time in the wage setting process for non-white employees. It is to be hoped that this new development will evolve in a responsible manner for the benefit of all concerned. Towards the end of the year the National Union of Mineworkers was granted recognition on the Kloof mine in respect of certain classes of employees and accordingly the group was intimately involved in this new development.

GROUP OPERATIONS

The year under review has been dominated by the higher gold price in rand terms which has had a favourable impact on the group's operating gold mines. This has provided welcome relief to those mines which had been under considerable pressure in the preceding year. The improved financial circumstances have enabled mine managements to concentrate on the critical areas of improving operating and financial efficiencies while at the same time continuing their drive to improve safety in the working environment. The high prevailing inflation rate makes the drive to improve efficiencies an extremely high priority and it is pleasing to record that managements are progressively responding to the challenges which lie before them. Inevitably the response varies from mine to mine but I believe that the example set by the most progressive managements is acting as a stimulus to those which have been slower to react.

Most of the group's coal and base metal operations have continued to operate under difficult market conditions. The markets for coal and lead have continued to deteriorate while only zinc has started the recovery process. In recent months Zinc Corporation of South Africa limited became the first company in the group to be seriously impacted by the effects of the drought. It has been necessary to curtail the scale of operations due to the significant drop in the demand for its by-product sulphuric acid as a result of the substantial reduction in the off-take of acid by the fertilizer industry.

NEW BUSINESS

During the past three years the group has increased the emphasis on the need to seek new business opportunities. This thrust is aimed at two targets: the first, and by far the most important, is the finding of new mineral deposits which can be economically exploited and the development of metallurgical processes which will permit the economic upgrading of mineral products. Inevitably developments in these areas have a long lead time as there are no short cuts to the systematic investigations which are required prior to assessing the economic feasibility of any project. It is inevitable that there will be many disappointments en route but the value of success is great and fundamental to the long-term development of the group.

The group is fortunate in having a number of interesting projects which have progressed to the stage where they require detailed, lengthy and also expensive further investigation. In the past mention has been made of the major coal reserves which the group possesses. These have been supplemented during the year under review and considerable time is being spent on examining alternative strategies for turning these reserves to account. I do not see any quick solutions to the problems which face the South African coal industry in its endeavours to become a major force in world coal markets and, therefore, it will be some time before any decisions on turning the group's reserves to account can be taken.

Detailed work continues on the study of new technologies for the smelting of lead. Classical lead smelting technology is no longer viable from an environmental point of view while new processes are, for the most part, technically unproven.

On the exploration front, the major emphasis is focused on two projects: the first relates to the unravelling of the complex geological structures in the so-called Bank Break which lies between the Kloof and East Driefontein mines. It is to be hoped that the current major drilling programme which is taking place in the area will enable the group's experts to obtain a detailed understanding of the structures. Thereafter additional drilling will be required to prove whether or not any economic gold reserves exist. The second major project relates to a platinum proposition which lies down dip from the Arandeloek platinum mine. Diamond drilling has reached an advanced stage with encouraging results and metallurgical tests have commenced to determine the viability of alternative metallurgical processes. The group has a 52% interest in this project which would involve the mining of platinum reefs at depths starting at about 1 300 metres. The economics of such a mining operation require detailed study, bearing in mind the high temperatures which will be encountered and the volatile nature of the platinum market.

The second part of our new business programme relates to the acquisition of investments in existing mining operations. During the year the group's interest in Tsumeb Corporation Limited, which is one

of the three major mining companies in South West Africa/Namibia, was increased to 43%. The group also acquired a 25% interest in O'okiep Copper Company Limited. Both these companies have been impacted by the major downturn in base metal prices. It is believed that they have good recovery prospects when the prices of base metals show a significant improvement.

OUTLOOK

The results of the group over the next 12 months will depend upon the behaviour of the world economy. In particular the strength of the recovery of the United States will be crucial. As I have indicated, that recovery is taking place against an unusual background of high real interest rates and a strong dollar and hence there are some doubts as to whether it will maintain its momentum. It is my belief that the recovery will not abort and will continue at least for the next 18 months although the rate of recovery will probably moderate. Of crucial importance to the mining industry is the extent to which the confidence of American industrialists builds up and, therefore, the point at which they will commence major new investment programmes. Only then will the demand for many mineral commodities pick up significantly in volume terms. The locomotive effect of the recovery in the United States economy has been slow to reflect on the economies of the other major industrial nations but it is inevitable that a sustained recovery in the United States will have its impact on those economies. No dramatic improvements are, however, expected as the demand for manufactured products from the less developed countries is unlikely to be a major factor in the present economic cycle.

While the gold market has recovered materially from the low point which was reached in the middle of last year, it remains in a nervous state awaiting an improvement in those factors of demand which will lead to a further upward movement in the price. At this point three critical demand elements - investments by central banks, investment by the private sector and jewellery demand - are either neutral or slightly negative. The present chronic state of many of the world's economies does not encourage the view that there will be any significant net increase in official holdings of gold in the immediate future. Private investment demand remains in the doldrums at a time when substantial real rates of interest are available in the United States and elsewhere and the threat of high inflation rates has receded. Demand for jewellery is relatively unexciting but can be expected to increase over the next 12 months as the benefits of the economies of the major industrial nations flow through to individuals by way of increases in income available for discretionary spending. This latter potential increase in demand is likely to be slow in manifesting itself but, I am sure, will provide the spark for the next upward movement in the price of gold. At a later stage in the economic cycle it is probable that there will be an increase in private investment demand. This, however, will be dependent to a large extent on the behaviour of inflation rates and real interest rates. The political policies in the United States and Europe may lead to slightly higher inflation rates, lower real interest rates and, in due course, a weakening in the dollar parity. Nevertheless, there is no indication that the authorities currently in power will allow a return to the laissez-faire approach of the 1970's. Accordingly, while I am confident that the price of gold will increase in the medium-term, I do not believe it will run away as it has done in the past unless there is a major political upheaval.

From the group's point of view the earnings for the year will continue to be determined by the rand price of gold received. At this juncture it seems possible that the present price may prevail for some months before the economic upturn has its effect. A further factor which could impact the group's results is the effect of the drought on the availability of electric power. The group's gold mines, with their heavy commitments to the pumping of underground water, will be most adversely affected than most by any power rationing. While it is to be hoped that the steps which have been taken by the authorities to increase water supplies to the power stations will be successful and that there will be adequate rainfall in the right places next summer, the possibility of power cuts has to be borne in mind. Against this background it was decided to increase the dividend cover to 2.2 with a maintained dividend of 500 cents per share. While earnings for the current year will be subject to the uncertainties which I have mentioned, I do not expect the dividend to be under any threat. On the contrary, should the earnings be equal to or exceed those which were obtained in the year under review, there should be scope for a modest increase in the total dividend distribution. In this connection shareholders' attention is drawn to the proposal to subdivide each share of 25 cents into five shares of 5 cents each. If approved, this proposal will lead to a corresponding fivefold reduction in the dividend per subdivided share.

TRIBUTE

The year under review has been one of record achievements. Nevertheless, there have been many aspects of the group's operations which have required on-going and detailed attention. It therefore gives me great pleasure to express my appreciation of the dedicated contributions made by my fellow board members, the management of the group, both in head office and the operating companies, the technical consultants and all the employees of the Gold Fields group of companies.

R. A. PLUMBRIDGE
Chairman

5 September 1983

TECHNOLOGY

NEW REPORT GIVES ENCOURAGEMENT TO INDUSTRY

Growth seen for computing services

BY ALAN CANE

THE UK computing services industry has seen strong growth in the past year and expects more of the same. At the same time, its shape is changing rapidly as the impact of the microcomputer feeds through. These are the chief conclusions to be drawn from the annual report of the Computing Services Association, the trade association representing almost 200 of Britain's leading computing services companies, published this week.

Almost 90 per cent of companies selling software products—computer programs in packages—said business had increased in the past year and the same percentage said it believed growth would continue to grow in the coming year.

A similar pattern is shown for bespoke software, education, turnkey systems and consultancy.

Only bureau operations—computer processing services for companies which have no computer of their own or insufficient capacity—is showing a turn down with 43 per cent of companies seeing zero growth or a decrease in growth in business in the past year and 65 per cent expecting no improvement in the future.

92 per cent of companies

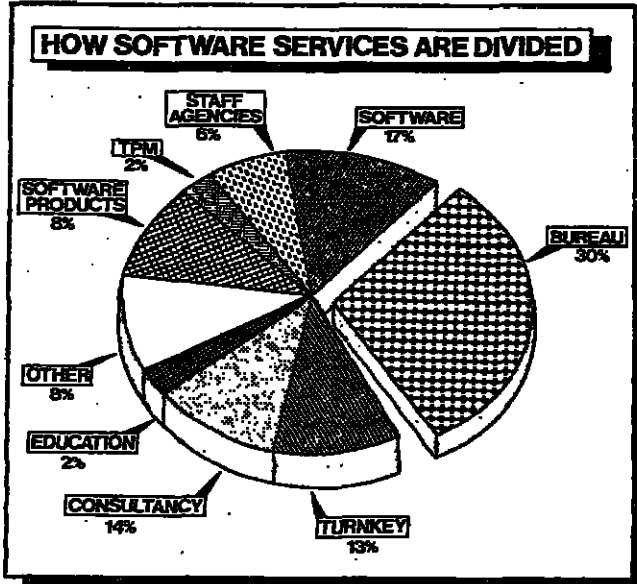
responding to the CSA's survey on which the report was based in areas other than the traditional bureau/software/consultancy mix.

Selling computer hardware—generally as microcomputers—is perhaps the single most important new area of business for many UK services companies.

A major change in the CSA's activities this year has been a move—driven by the growth of microcomputer business—to encourage smaller companies to participate in CSA activities—traditionally reserved for the UK's largest and most secure services companies.

Dr Douglas Eystons, CSA director-general, notes in the report: "Our industry is still not mature. The larger and older-established companies account for the bulk of the revenue, but even the largest computing services companies in the world do not have more than a 5 per cent share of the market."

"The CSA, with around 200 member companies is sometimes wrongly regarded as representing only the large firms in the industry... the extremely rapid growth in the number of new companies, particularly at the microcomputer end of the market, presents a challenge to the CSA if it is to remain truly



Pie chart showing the spread of revenue by computing service activity in 1982. TFM is third party maintenance.

representative of the software and services industry."

"There are literally thousands of these small companies and most of them are not qualified to participate as full members of the CSA as it is presently structured."

"The new grade of associate member, however, enables such companies to be associated with the CSA and take part in our activities."

Other highlights of the years included:

● An extra £15m was made available for the government Software Products Scheme.

● In the first six months after

the introduction of a general licence for value added network services, 33 companies took out licences.

● Some £380,000 was procured in training grants for the computing services industry by the voluntary industry training council, Cosit.

Only 42 per cent of the CSA members which responded to the survey were truly independent. Scarcely any UK computing service company with between 100 and 200 employees remains independent. Only one of the 17 large companies responding to the survey was not part of a group.

SATELLITES

Direct broadcast Sat-Tel receivers

QUICK OFF the mark with direct broadcast satellite television receiver add-ons—in spite of the fact that there are no generally available programmes yet—is a small Northampton company called Space Communications (Sat-Tel).

This company can supply the outdoor down converter which takes the super high frequencies (SHF) at 12 GHz from the satellite and provides signals at lower frequencies (1,000 MHz) that can be sent over coaxial cable to the indoor installation. There, they are processed in a second box of electronics to yield signals for connection to TV receivers.

Through an associated company Radio Masts a suitable

"dish on the lawn" can be supplied.

At present only the OTS (Orbital Test Satellite) is transmitting television (for experimental purposes) and the signals are encrypted to prevent unauthorised use. From January 1984 however, Eutelsat (European Communications Satellite) will replace OTS and will be transmitting five hours of English speaking material nightly. Not all of the transmissions will be encrypted.

In the middle 80s says the company, will come the use of direct broadcast satellites which use very high power and allow the use of a small dish antenna to feed homes and cable systems direct. More on 0604 499617.

HOLOGRAPHY

Call for greater efforts by UK makers

BRITISH companies have been accused of failing to follow up the UK's pioneering work in holography. Mr Peter Woodd, managing director of Light Fantastic, a company which specialises in holographic art, has warned that Britain could well lose its lead in the field.

Mr Woodd said that Light Fantastic has to make nearly all its capital purchases abroad. It buys lasers from the U.S., emulsions from Belgium, optics from Westerman, Switzerland and the U.S. and other equipment from the Netherlands.

"Commercial production of holographic equipment must be encouraged in this country if we are not to fall into the classic British situation—technological innovation without commercial return while American and Japanese snap up know-how and profits," Mr Woodd said.

Later this month Light Fantastic will be looking for UK manufacturers to supply holo-

graphic equipment at the "Can You Make It?" import substitution show to take place in London at the London West Hotel.

It will be among 63 exhibitors at the exhibition, displaying many imported products and inviting UK companies to see if they can offer competitive alternatives.

Mr Woodd said: "We want to buy British but we cannot find suitable suppliers. Firms seem unwilling to move into this sector of the new technology market, and financial backers shy off from investing in holography simply because it is so new."

ELANE WILLIAMS

COMPUTER SECURITY SYSTEMS

How banks plan to beat today's computer criminals

BY RAYMOND SNOODY

WHEN Dr David Everett is designing encryption and authentication systems for the security of financial data he has a clear image in his mind. It is of a sophisticated computer criminal equipped with a Cray, one of the fastest mainframe computers in the world, and unlimited resources trying to undo his work.

He does not know whether such a figure is more than a figment of his imagination but he is certain of one thing: "If we can crack our own systems we throw them out."

Everett's company, Open Computer Security, is at work on a whole range of devices to protect the electronic transfer of funds from fraud, the creation of digital signatures to accompany documents and to prevent computer software piracy.

In offices, ostentatiously lacking a nameplate in an old building in the City of London, the small company designed and manufactured the authentication equipment at the heart of CHAPS, the Clearing Houses Automated Payment Scheme, due to go live in February.

CHAPS will replace the physical carrying of large cheques round the City of London by messengers.

When the system is running around £20bn a day could be on the move electronically between different clearing banks, the clearers and the Bank of England.

Mr Eric Simmonds, leader of the CHAPS project, is adamant that it would not have gone ahead if all the banks involved had not been completely satisfied about the security of their settlement messages. The concern for security has resulted in both encryption and authentication of messages.

CHAPS uses the U.S. Data Encryption Standard (DES) as its basic scrambling device and the session key, which is changed daily, is held in a tamper resistant module designed by Open Computers.

The module fits into the authentication unit attached to the Tandem gateways in each

of the clearing banks. The key itself is a series of random numbers produced by electronic noise and no-one, neither the users nor Open Computer staff need know what it is.

"It is very difficult for the human brain to come up with truly random numbers," says Everett, who started life as a laboratory technician before moving on to take an electronics degree and doctorate at Southampton University.

Many of the details of the CHAPS authentication scheme cannot be revealed, including an ingenious and rather beautiful way of identifying each bank's module to prevent substitution. But the authentication unit is designed to detect and reject any message which has been interfered with.

David Everett first became

interested in codes and complex numerical puzzles when he was director of computing at the Medical Research Council and was doing work on DNA. The computer system there was up and running, the challenge insufficient, he says. So he decided to tackle the problems of encryption and set up Open Computer Security about five years ago. The company is owned by Everett, Vince Gallo, technical director and Geoff Scoble financial director. It has a staff of 20 and a turnover which should top £1m this year.

One large company sent Open Computers its plastic data protection key complete with microchip to see whether they could "crack" it. Vince Gallo

laughs, holds up the X-ray he took to identify the chip, and says he sent them a complete print out of their security system the same day.

"Last year I wondered if we were five years too early," says David Everett. "Now the whole atmosphere has changed and I'm more optimistic." The Krueger fraud and the case with which microcomputer children have been getting in to major mainframe systems is providing a boost to the data security market.

Everett believes his biggest market could be products to prevent the piracy of computer software. Such piracy, according to some estimates could be as high as \$100m a year in the U.S. Open Computers is in the process of sending out demonstration models of its new anti-piracy device, Padlock, to major software houses. It is a scrambling and unscrambling device housed in a tamper resistant module which is attached to a computer.

The software always goes to the user in scrambled form and cannot be used without the special attachment which also executes the program in real time. The scrambling is done using the DES algorithm and the key is protected using public/secret key concepts.

Mr Donald Davies, a data protection specialist at the National Physical Laboratory, believes Padlock could be a significant development. He has thought for some time that only a device attached to a computer which can run encrypted software will give complete security against copying.

For Open Computer Security the problem is to persuade software houses to place themselves at an initial competitive disadvantage by either buying themselves or making users buy a device that will cost around £250.

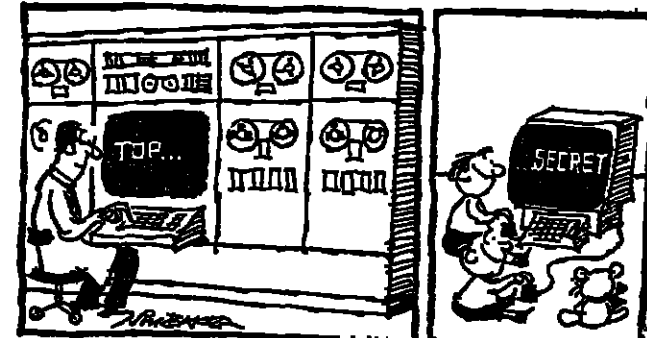
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Worthing, West Sussex BN12 6DA.
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UK COMPANY NEWS

Vickers falls to £7.5m as patchy trading continues

A FALL in profits and a reduced interim dividend are reported by Vickers, the Rolls-Royce car, defence and marine engineering group, for the first six months of 1983.

At the pre-tax level the surplus amounted to £7.5m, against a previous £10.2m, although the directors say this is a reflection of the disparity between first and second-half results. The dividend is cut from 4.55p to 3p—last year's final distribution was 3.45p and the taxable surplus was £19.6m.

Sales for the half year fell also to £292.2m (£312.6m).

In February the directors said they could not report a clear recovery in demand, although changes in exchange rates had made the company more competitive.

They now say that trading continues patchy across all of the group's activities. Car sales in both the U.S. and the UK were slow during the first quarter of the year but since April there has been a marked improvement in the U.S., which is being maintained.

Except in the defence and marine engineering businesses, there has been no sign of a pick-up for capital goods and consequently results in some of the other businesses have been depressed.

HIGHLIGHTS

DUNLOP HAS extricated itself, in part at least, from its European tyre manufacturing operations. The damage done to Dunlop's already strained finances will be grave but strategically the move must be right. Lex comments and then goes on to look at the latest figures from Rowntree Mackintosh which has more than held its own in another six months of stiff competition. Trading profits are up 10 per cent on the eve of its first major contribution from its overseas expansion. Finally Lex considers the Vickers' half year results which prove to be another disappointing set of figures. The company hopes to do better, in the meantime the management is examining ways of selling off surplus properties and assets.

Directors add that in the defence and marine sectors, deliveries on certain major contracts increase significantly in the second half.

Vickers' overseas companies in Australia and South Africa are also suffering from the recession in their territories, which have deepened during the year, directors point out.

They add, however, that there has been a good performance at Howson-Algraphy where new production lines have shown improvement during the year so far.

Trading profits amounted to £15.4m, against £20.3m, and

there were redundancy costs, although lower at £0.9m (£2.4m). Net interest payable, less investment income, was £7.1m (£8m), and the pre-tax figure included associate companies share of £0.1m, compared with £0.3m.

Tax was halved at £2m (£4.1m) and after minority interests, £0.5m (£0.3m), extraordinary debits, £1.6m (£2.1m) and preference payments £0.2m (same), the attributable balance came through just behind at £3.2m, against £3.5m.

Earnings per share are given as 5.2p, compared with 7p. See Lex

Rowntree Mackintosh rises 18% to £16.1m

FOLLOWING A 18 per cent rise in sales from £303.5m to £358.3m, taxable profits of Rowntree Mackintosh advanced by 18 per cent to £16.1m, compared with £13.7m, in the first 24 weeks to June 19 1983.

Mr Kenneth Dixon, chairman of this confectionery and grocery products manufacturer, says the increase in turnover reflects a gain in volume in all the group's UK operations, in exports from the UK and in Canada and France. In the face of strong competitive pressures trading margins were generally maintained. He states that trading profits emerging at £17.8m (£15.2m).

Earnings per 50p share are given higher at 8.2p (6.9p) and the interim dividend is being raised from 5.2p to 8.2p. For 1982 a total distribution of 8.5p was paid from pre-tax profits of £30.5m and earnings per share of 24.5p.

Looking ahead, Mr Dixon says the directors are confident that despite the prolonged hot weather, which has affected confectionery sales in the UK and Europe, the full year's results will show continued growth in the group's earnings.

The directors are continuing to pursue major cost reduction and capital expenditure programmes directed towards improving efficiency, and rationalisation plans costing £4m were announced during the half year which will be charged as an extraordinary item in the annual accounts.

The beneficial effect of recent North American acquisitions—Laura Secord in Canada and Tom's Foods in the U.S.—will not be felt until the second half, but experience to date indicates that the directors' expectations will be fulfilled, Mr Dixon says.

Pre-tax profits were struck after interest costs of £1.4m (£1.5m), while tax took £4.5m (£4.2m), leaving net profits of £11.6m (£9.4m). See Lex

Garner Booth rights to raise £1.5m

TANNER and leather manufacturer Garner Booth is to raise about £1.5m by way of an underwritten rights issue at 53p a share. The basis of the issue, which is currently at a seasonal peak, The board said yesterday that the group's current level of borrowings, which have arisen from its strategy of acquisitions and increased trading, should be reduced to provide greater flexibility.

For the same reason £2m of the company's short-term bank facilities was converted last month into a five-year term loan. Dealings in the new ordinary shares are expected to begin on September 24.

Atlantic Computers is applying to the Stock Exchange for a full listing. The company, which supplies computer systems, is heading for a market price tag of over £40m.

Atlantic's adviser, N. M. Rothchild, is to offer for sale by tender 6m ordinary shares at a minimum price of 170p each. That represents 25 per cent of the equity, which in total would be capitalised at £40.8m at the minimum price.

In 1982 Atlantic made pre-tax profits of £2.64m on turnover of £23.69m and will make a forecast of not less than £3.1m pre-tax for the current year.

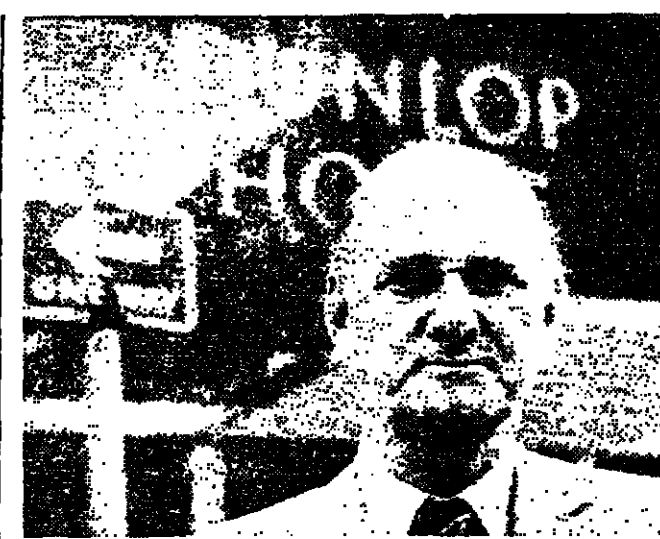
No money is to be raised for the company by the issue, which consists solely of shares sold by existing holders, including Mr Ian Skipper and Mr Leonard Jagger, formerly of UEL. Last year they provided £8m of financing for Atlantic in exchange for 60 per cent of the equity.

However, Mr John Foulston, Atlantic's chairman, said yesterday: "The decision to go public was made in the prospectus last published in Monday's FT, and the application list will open on September 29. Brokers to the issue are Sheppard and Chase."

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Sir Campbell Fraser, chairman of Dunlop Holdings, at yesterday's press conference announcing a profit for the first half of 1983 and the acquisition of certain assets by Sumitomo Rubber Industries of Japan (see page 23)

Adwest advances to £6.8m and lifts final dividend

A RISE in full year taxable profits from £5.97m to £6.84m was achieved by the Adwest Group, engineer, despite a fall in turnover to £67.45m, against £70.13m.

The final dividend is increased by 0.85p to 7p lifting the year's net total to 6.1p compared with 5.25p. The directors are also proposing a one-for-two scrip issue.

The taxable surplus included higher interest receivable of £111,000 (£70,000) and associate companies profit of £107m (£97,000).

The 1982 results, after tax and extraordinary items, have been adjusted by £273,000 in order to correct an understatement of losses from a French subsidiary. This subsidiary incurred losses of £580,000 in 1983.

Attributable profits for the year moved ahead to £4.44m, against £3.83m, after tax of £3.31m (£2,07m), and minorities of £92,000 (£70,000). Following an extraordinary credit this time of £250,000 (debit £297,000) and after dividend payments retained balance was £2.82m (£1.74m).

Earnings per 25p share for the 12 months are shown as rising from 18.7p to 21.6p.

Volume is improving in the automotive division which makes up 55 per cent of turnover but pressure on margins is still intense. Electrical and engineering divisions both turned in results "a little better" than last year. Property profits from rents and construction on the Woodley industrial site produced between £1.5m and £2m profits, much as expected. France has been a disappointment, taking longer to turn round than expected. Through losses will be reduced in the current year 1984-85 is now the target. Meanwhile Adwest has some £8m cash following the sale of SMO which it might use to acquire a new business, probably outside the automotive sector. Until it does, the shares are unlikely to yield much more than the present 5.7 per cent. Rascal sold its full 8.6 per cent stake in Adwest in June.

Whatman Reeve

For the first six months of 1983 taxable profits of Whatman Reeve, laboratory supplies manufacturer, increased from £1.25m to £1.65m and the directors are lifting the interim dividend by 0.5p to 2.7p.

Group turnover expanded 17 per cent to £11.23m (£9.6m). Attributable profits came out at £788,000 (£640,000), after tax of £588,000 (£501,000), giving earnings per share of 17.9p, compared with 15.1p.

For the whole of 1982 taxable profits were £2.52m (£1.9m) and the dividend totalled 6p.

DIVIDENDS ANNOUNCED

	Current payment	Date	Corre-Total	Total
			div. of	last
			year	year
Adwest Group	7	Nov 18	6.15	8.25
Asbury & Madley	1.38	Nov 30	1.25	5
Charterhall	0.3	Jan 10	0.3	0.3
Dunlop	Nil	—	—	2
General Investors	1.5	Nov 1	2	3.65
Haden	2.25	Nov 23	2.25	8.3
H. & J. Mackenzie	Nil	—	—	1.2
Memec	1.21	Nov 18	1.1	3.3
John Menzies	2	Jan 6	1.6	4
Minet Holdings	2.73	Nov 18	2.45	4.55
Wm Morrison	0.5	—	0.45	1.6
A. & J. Mackenzie	2.4	Jan 5	2.25	4.5
NMW Computers	2.5	Nov 7	—	—
Park Place Ltd	3.25	—	3.25	5.25
Rowntree	3.2	Jan 3	2.9	8.8
Sandhurst Mktg	0.66	—	0.43*	1.32*
Steeley	4	—	4.55	8
Vickers	3	Jan 3	—	—
James Walker	2.7	—	Nil	1.5
Whatman Reeve	1	—	2.2	6
George Willis	2.5	Oct 14	2.5	8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. £100 capital increased by rights and/or acquisition issues. \$USM stock.

£ Total of 5.11p forecast.

Ray Maughan looks at Steeley's profit recovery to £8.66m midway Rather more than a mouthful to swallow

It will be the early part of November before the Monopolies and Mergers Commission has finished with Hepworth Ceramics' earlier £11m offer for Steeley, now lapsed of course, and its conclusions could spend a further month under deliberation by Mr Cecil Parkinson, the Secretary of State for Trade and Industry.

Each participant has, however, had a chance to show shareholders just how well the first half of calendar 1983 has gone. Hepworth, as known, has pushed profits up to £5.5m, after two recessionary years in the region of some £12m before tax.

Yesterday, Steeley, the unwilling partner in the proposed merger, had an opportunity to show its paces. Interim pre-tax profits advanced from a depressed £4.4m to £6.86m which, as far as brokers' research goes, appears to fall firmly within the parameters of outside estimates.

The point of overlap is the interest each group holds in the strategically important refractories sector, an important supplier to the steel industry, which takes about half its overall output, but also producing for the cement business and other industries which may manufacture under conditions of extreme heat.

Refractories is a generic name for an exceptionally diverse industry. Furthermore Steeley is arguing that within a sector which plainly needs a heavy hand of rationalisation to bring capacity into line with likely demand, it has already done the job.

Stripping out seven plants within the last three years, and shedding over 600 jobs along the way, Steeley says that its refractories will remain in profits supplying the specialist, higher margin end of the market.

It is unfortunate that the refractories industry provides so little information about itself. The sector's own association has figures which neither protagonist, perhaps naturally, will square with the other's. The Commission itself is under no obligation to have found refractories a substantially more complex affair than an initial examination of steel plant blings may have suggested.

But the feeling persists that Steeley has recovered to become rather more than a mouthful for Hepworth and the resilience of the Steeley share price may also have something to do with the understanding that the regrouping of British aggregates interests among the major players may not be quite over.

The shares dropped 4p yesterday to 215p which remains way ahead of the value of Hepworth's sitting shot of 176p. Hepworth continues an active interest which will plainly be reactivated given clearance from the Commission.

But the feeling persists that Steeley has recovered to become rather more than a mouthful for Hepworth and the resilience of the Steeley share price may also have something to do with the understanding that the regrouping of British aggregates interests among the major players may not be quite over.

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Over-the-Counter Market

1982-83		Company	Price	Gross Yield	Fully
High	Low		Change	div. (p)	Actual
158	120	Aaa. Brit. Ind. Ord.	135	—	7.2 10.1
158	117	Aaa. Brit. Ind. CULS	140	—	10.0 7.2
74	57	Armstrong Group	71nd	—	8.1 8.8
227	88	Armstrong & Rhodes	227	—	20.3 20.3
237	88	Barton Hill	227	+ 2	7.2 3.0
103	103	CC 11th Conv. Pref.	141	—	8.7 18.7
270	187	Cinco Group	187	- 1	15.7 11.1
88	45	Deborah Services	187	- 1	17.8 9.8
134	77	Frank Horsell	87	—	6.0 10.5
128	75	Frank Horsell Pt Ord	134	+ 2	— 5.6
83	84	Frederick Parker	128	+ 2	8.7 6.8
62	54	George Blair	84	- 1	7.1 13.1
100	84	Ind. Precision Castings	62	—	5.5 11.8
200	100	Isis Conv. Pref.	64	—	5.1 5.4
114	67	Jackson Group	64	—	7.3 11.4
237	111	James Burroughs	200	—	7.9 7.9
289	137	Robert Jenkins	114	—	4.5 4.5
88	84	Water Alexander	114	+ 1	11.4 5.4
167	110	Torday & Carlisle	212	+ 1	20.0 14.5
28	21	Unilock Holdings	138	—	11.0 16.0
276	214	W. S. Yates	88	+ 1	12.4 10.8
			88	—	5.7 11.1
			112	—	2.9 2.6
			112	—	1.0 4.3
			85	—	7.7 6.8
			265	—	17.1 6.5
			265	—	4.1 8.5

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Rowntree Mackintosh

Interim Report for the 24 weeks to 18 June 1983

	Interim Results	Full Year
	1983	1982
Turnover	362.3	303.9
Trading profit	17.5	15.2
Interest	1.4	1.5
Profit before taxation	16.1	13.7
Taxation	4.5	4.3
Profit after taxation	11.6	9.4
Minority interests	—	—
Profit attributable to Rowntree Mackintosh plc before extraordinary items	11.6	9.4
Earnings per Ordinary Share	8.2p	6.9p

Notes

- The board has declared an interim dividend of 3.2p per share (1982 2.5p per share), absorbing £5.1m payable on 3 January 1984 to ordinary shareholders registered on 2 December 1983.
- Rationalisation plans have been announced during the half year which will cost £4m before taxation. These costs will be dealt with as an extraordinary item in the annual accounts.
- The interim results are unaudited. The accounts for the year 1982 set out above are audited. Full 1982 accounts, incorporating an unqualified auditors' report, have been delivered to the Registrar of Companies.

Chairman's Statement

The trading results for the first half year have continued the trend of the last two years with both sales and profits higher than in the first half of 1982. Pre-tax profits at £16.1 million were 18% higher and earnings per share were up 19%.

Group sales increased by 19% to £362 million reflecting a gain in volume in all the Group's UK operations, in exports from the UK, and in Canada and France. In the face of strong competitive pressure trading margins were generally maintained.

The future of the Group depends on our ability to compete effectively and we are continuing vigorously to pursue major cost reduction and capital expenditure programmes directed towards improving our efficiency.

The beneficial effect of our recent North American acquisitions—Laura Secord in Canada and Tom's Foods in the USA—will not be felt until the second half of the year, but experience to date indicates that our expectations will be fulfilled.

Looking ahead, we are confident that despite the prolonged hot weather, which has affected confectionery sales in the UK and Europe, the full year's results will show continued growth in the Group's earnings.

Kenneth Dixon, Chairman

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Sales - up to 29% to £115,806,000

Pre-tax profit - up 55% to £5,872,000

Dividend - 10% increase recommended

Since the year-end:

Rights Issue - successfully raised £6.4 million

Prospects:

"The current year has started well with further increases in both orders and sales. The Board believes that the opportunities now available to the Group should enable it to achieve a satisfactory rate of progress."

Peter Curry, Chairman.

If you would like a copy of the Annual Report please write to the Secretary, Unitech plc, Phoenix House, Station Hill, Reading RG1 1NP.

UNITECH

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Vickers

RESULTS FOR SIX MONTHS ENDED 30TH JUNE 1983

A summary of the unaudited consolidated results of Vickers P.L.C. for the six months ended 30th June 1983 is given below.

At the Annual General Meeting the Chairman indicated that there would be a disparity between the first and second half results for the year. This is reflected in the reduced profit before tax of £7.5 million, compared with £10.2 million for the equivalent period last year.

Trading continues patchy across all our activities. Car sales in both the United States and the United Kingdom were slow during the first quarter, but since April there has been a marked improvement in the U.S. which is being maintained. Except in our Defence and Marine Engineering businesses, there has been no sign of a pick-up for capital goods and consequently results in some of the other businesses have been depressed.

Our overseas companies in Australia and South Africa are also suffering from the recessions in their territories which have deepened during the year.

There has, however, been a good performance at Howson-Algrahy where our new production lines have shown much improvement during the year so far. In our Defence and Marine Engineering businesses deliveries on certain major contracts increase significantly in the second half.

The Board has declared an interim dividend of 3.0p (1982 4.55p) per £1 Ordinary Stock, equivalent with associated tax credit to 4.29p (1982 6.5p) gross. This is commensurate with the total dividends paid in respect of last year. The interim dividend will cost £2.7 million and will be paid on 3rd January 1984 to Stockholders on the Register at 1st December 1983.

	Six Months to 30th June 1983	1982	Year 1982
Sales	292.2	318.6	656.1
Trading Profit	15.4	20.3	38.4
Redundancy costs	0.9	2.4	3.1
Profit before interest	14.5	17.9	35.3
Net interest payable less investment income	7.1	8.0	16.3
Profit after interest	7.4	9.9	19.0
Associated Companies	0.1	0.3	0.6
Profit before taxation	7.5	10.2	19.6
Taxation	2.0	4.1	7.0
Profit after taxation	5.5	6.1	12.6
Minority interests	0.5	0.3	0.1
Profit before extraordinary items	5.0	5.8	12.5
Extraordinary items	1.6	2.1	14.5
Stockholders' profit (loss)	3.4	3.7	(2.0)
Preference dividends	0.2	0.2	0.4
Ordinary stockholders' profit (loss)	3.2	3.5	(2.4)
Earnings per £1 Ordinary Stock	5.2p	7.0p	14.1p
Extraordinary items include redundancy costs on closures and reorganisations, in addition to those shown above of: making a total of:	£ - m	£0.5m	£6.6m
	£0.9m	£2.9m	£9.7m

Vickers P.L.C., Vickers House, Millbank, London SW1P 4RA



Engineering
Industrial Services
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Interim Results for 6 months to 30th June 1983

- * Pre-tax profits increased from £159,000 to £911,000
- * Dividend increased from 0.5p to 0.65p per share
- * Borrowings will fall by £7m.

"Our confidence that we can continue to improve profits performance has encouraged us to increase the interim dividend from 0.5p to 0.65p net per share."

Saraj Paul, Chairman.

Copy of the Interim Report and Demerger document for Caparo Properties Plc can be obtained from the Secretary: Caparo Industries Plc, Central House, 303 Halesowen Rd., Dudley, West Midlands DY2 9NR



Wm MORRISON SUPERMARKETS PLC

Interim Results (unaudited)	6 Months Ended 30 July 83	6 Months Ended 31 July 82	Year Ended 29 January 83
Sales	125,239	106,996	223,988
Profit before Taxation	4,251	3,660	8,858
Profit after Taxation	2,489	1,880	4,159
Earnings per Share	5.39p	4.07p	9.01p
Dividend per Share	0.5p	0.45p	1.6p

Points from the Interim Statement of the Chairman, Mr. K. D. Morrison

- * Sales have increased by 17% and pre-tax profits by 16.1%
- * New Stores at Heywood and Wakefield will open in the second half of the current financial year
- * New Stores at Grantham and Sheffield will open in early 1984

Hillmore House, Thornton Road, Bradford, West Yorkshire, BD8 9AX

MINING NEWS

GFSA sees scope for dividend rise this year

BY GEORGE MILLING-STANLEY

THE GOOD NEWS for shareholders of Gold Fields of South Africa is that Mr Robin Plumbbridge, chairman, sees no threat in the current year to the dividend of 500 cents (294p) paid last year.

Mr Plumbbridge made the point in his latest annual statement that the group's earnings in the 12 months to June 30 1984 will be subject to the usual uncertainties, mainly over the price of gold and currency movements.

However, he added that there should be scope for a modest increase in the dividend if earnings are equal to or exceed the 1,076 cents achieved in the past year.

Many shareholders, or potential purchasers, will also welcome GFSA's proposal to subdivide each share of nominal value 25 cents into 10 shares of 2.5 cents each. This should improve the marketability of the shares, currently standing at 281.

The decision to leave last year's dividend unchanged at 500 cents, thus increasing the level of cover, was brought about by the group's belief that there will be no significant change in the bullion price for some time yet, combined with fears as to the potentially damaging effects of the prolonged drought on power supplies to the gold mines.

While yesterday's heavy rains in many parts of South Africa will have done little to alleviate the problem, they do give grounds for some degree of optimism that this year's rainy season might be just that.

The dominant feature of the past year's operations was the higher gold price in rand terms, which Mr Plumbbridge said provided welcome relief for the mines and enabled them to concentrate on the critical areas of improving the operating and financial efficiencies.

GFSA has also taken the opportunity to increase the emphasis on the need to look for new business opportunities.

Free State, is expecting revenue from by-product uranium, pyrite and sulphuric acid to fall by some R5.7m (£2.8m), while unit costs are likely to be about 3 per cent above those for 1981-82.

Given an average gold price of R18,000 per kilogram, a little above the 1982 level, Mr Plumbbridge expects to be able to pay total dividends for the current year of 360 cents a share, including the 130-cent interim declared on September 8.

This compares with the total of 235 cents paid for the last 12 months.

Bluyvor, by contrast, expects to pay a total of about 300 cents in the current year, down from 1981-82's 270 cents.

Tonnage mined is likely to be unchanged at 2.36m, but the

in the main, that means discovering new mineral deposits and developing the metallurgical processes to exploit them economically.

Mr Plumbbridge has mentioned the group's big coal reserves in the past, and these have been added to in the past year. However, he pointed out that there are no quick solutions to the problems facing South Africa in its drive to become a major force in world coal markets.

This means that it will be some time before GFSA's coal reserves can be turned to account.

On the exploration side, the group has initiated a big programme of drilling on the Bank Break between the Kloof and Driefontein mines, and is also receiving encouraging results from exploration work at the platinum prospect near Amandel-bult.

GFSA has also increased its interest in two operating mines, taking its stake in Tsumeb in Namibia to 43 per cent and in Oskiep Copper to 25 per cent.

Contrasts from gold mines

A PAIR of sharply contrasting annual reports come from two South African gold mines in the Barlow Rand stable. The group's Harmony mine is predicting an increased dividend for the year to June 30 1984 subject to several conditions, while Bluyvorlautsch expects to make a lower payment for the same period.

Mr D. T. Watt, chairman of both operations, said of Harmony that the mine is expecting a more or less unchanged mill throughput of around 7.7m tonnes, and a gold grade similar to last year's 4.2 grammes per tonne.

Mr Watt, chairman of both operations, said of Harmony that the mine is expecting a more or less unchanged mill throughput of around 7.7m tonnes, and a gold grade similar to last year's 4.2 grammes per tonne.

This should leave gold production at around last year's rate of 32,676 kilograms, or just over 1m ounces.

Tonnage mined is likely to be unchanged at 2.36m, but the

grade is forecast to decline sharply from 5.41 grammes of gold per tonne to just under 7.5 grammes, which will reduce gold output by about 14 per cent.

In addition, profit from uranium could fall by as much as half from last year's R14m.

Bluyvor, in the Far West Rand, is approaching the end of its economic life, as Mr Watt explained.

At the current rate of mining, therefore, Bluyvor's ore reserves will be exhausted by June 1991. There is a possibility of an extension, perhaps up to December 1993, but in any event the gold grade can be expected to decline steadily, so that it would be as low as perhaps 5.5 grammes per tonne by the beginning of the next decade.

Interim rise for Wm. Morrison

TAXABLE PROFITS of Bradford-based supermarket proprietor, Wm Morrison Supermarkets, moved ahead from £3.66m to £4.2m for the 26 weeks ended July 30 1983 and the interim dividend is lifted to 0.5p net per share against 0.45p.

Sales expanded by £13.2m to £126.24m and after tax of £1.76m (£1.78m) net profits came through up from £1.88m to £2.49m giving a per share value of 5.39p (4.07p).

Trading profits amounted to £5.33m (£4.35m) and the pre-tax figure, which included rent received of £322,000 (£198,000), was struck after depreciation £1.37m (£947,000) and interest and investment income debit of £27,000 (£80,000 credit).

Store development is proceeding according to plan and the new stores at Heywood, Grantham, Sheffield and Preston are all on programme. In addition, a store of 25,000 sq ft has been acquired in Wakefield and will, like the Heywood store, open during the second half of the current year.

The extension to the Keighley store was completed on time and is now trading satisfactorily while the three Mainstop stores acquired at the beginning of the period have now been successfully modified and integrated within the group and trading results are improving.

The store at Park Avenue, Bradford, which no longer suited the company's long-term strategy, was disposed of on August 1

Mucklow edges forward

FOR THE YEAR to end-June, 1983 the A. & J. Mucklow Group raised its pre-tax profits from £4.71m to £4.84m, with the second six months contribution little changed at £2.43m, compared with the £2.38m returned for the same period last year.

Earnings for the year of this property investor and developer emerged lower at 6.5p (7.17p) per 25p share but an increased final dividend of 2.4p (2.25p) lifts the net total by 0.25p to 4.5p.

The directors say they expect profits for 1983/84 to be at least as good as those reported.

Gross rental income for the year under review expanded from £5.25m to £6.44m due to rent renewals and reviews plus new lettings which involved some 150,000 sq ft of new factory space coming on rental stream.

However, it is pointed out that at the same time there was an increase in the vacancy factor on the developed industrial portfolio from 287,000 sq ft at the beginning of the year to 340,000 sq ft at year-end.

APPOINTMENTS

Foster Brothers Clothing restructure management

FOSTER BROTHERS CLOTHING has formed a group management board which will operate under the direction of the main board. The members of this new board will have responsibility, on a day-to-day basis, for the performance of all trading, manufacturing and service activities within the group. The directors of the management board and their specific responsibilities are as follows:

Mr E. G. Davidson, chairman, international operations; Mr E. P. Adams, Adams Childswear; Mr E. W. Williams, Marshall Lake Properties; Mr R. Wood, Foster Menswear; Mr C. C. Duggan-Miller, manufacturing division; Mr J. Fallon, financial and management services; Mr R. E. Maynes, Dormie Menswear, marketing and public relations; and Mr F. B. Taylor, Marshall Lake Finance, company secretary. As a further part of this re-structuring the following appointments have been made: Mr E. W. Williams and Mr L. Chute, joint Foster Menswear Board; and Mr R. B. Maynes, is appointed chairman of Dormie Menswear.

Mr Paul Renner, channel controller, CHANNEL 4, has been appointed programme controller and elected to the board.

COLECHURCH (UK), an affiliated company of Colechurch International, of Guernsey, has appointed the following to the board: Mr Julian Brooke; Mr Tom Cortisley; Mr Yawand-Wessan; Mr M. Best; Mr D. Glasman; Mr F. Sidey; and Mr Vice Marshall J. G. Beddoes.

Mr W. McEwan has resigned from the board of DAWSON INTERNATIONAL on his appointment as chief executive of SILENTNIGHT HOLDINGS.

Mr Bob Dickins, vice president International of Warner Bros Music, has been appointed chairman of WARNER BROS MUSIC LTD and WEA Records, Warner's music divisions in the UK. He joined Warner Bros Music in 1971 and was appointed managing director in 1974 at the age of 34. Every year for the last six years he has been awarded the sought-after Music Week Award as top publisher.

Mr Ron Lids has been appointed a senior executive in London of the international company finance division of J. HENRY SCHRODER WAGG & CO. He was a vice-president in the capital markets group at Citicorp International Bank.

Mr Jean-Philippe Gellroy has been named vice-president, marketing and business development for BENDIX AUTOMATION. He will be responsible for all Bendix Automation's European business.

Mr David Lade, marketing director of Telematrix, has been appointed managing director of WESTWARD MICRO SYSTEMS with overall responsibility for worldwide sales and marketing. Mr Roger Crumpton, previously sales director of Westward, has

been appointed to the main Telematrix board. In his new position, he will develop the sales operations of all other Telematrix companies.

From November 1, Mr Frank J. Davies, newly-appointed chief executive of ROCKWELL GROUP will, in addition, take over the duties of chief executive of Rockware Glass. Mr Derek J. Wattaker, the present chief executive of Rockware Glass, is leaving the group to take up a position elsewhere.

TEXTILE MOULDINGS, now controlled by Coats Patons, has appointed Mr Trevor Russell as managing director. He comes from the Guinness Plastics Group where he was an executive director. Former managing director, Mr Jack Riley, remains on the board and will act as a consultant.

WARD AND GOLDSTONE has appointed Mr John C. Williams as managing director. He has been with the company for 26 years, the last 16 as a main board director. Appointed directors are Mr Kenneth S. Hooper, company secretary, and David P. Seal, group financial controller.

Mr Malcolm Samuels has been appointed group finance director, designate, of MILLS AND INTERNATIONAL. He was group finance director and company secretary at United Drapery Stores Group.

Mr David Coope has been appointed chief executive officer of the near group of companies of the DAVID BROWN organisation, including all overseas companies, and based at Park Gear Works, Huddersfield. He is the present managing director of David Brown South Africa, and will retain the directorship of that organisation.

BERRY, PALMER AND LYLE, a new company, has been established to participate in development of flexible financial and political insurance covers emerging from the private insurance underwriting markets. Founding directors are: Mr Charles Berry (managing), Mr Anthony Palmer, and Mr Robert Lyle. Minority shareholders include European Banking Co., an international merchant bank formed by the EBC Group and Control Risks Group.

Mr Paul Zatz has been appointed to the board of CLYDE PETROLEUM from October 1. He was formerly a partner of Lawrence, Messer and Co., solicitors, and joined Clyde in 1981 as company secretary. He will remain company secretary and will be responsible for legal and corporate functions.

Mr Peter Lawson has been appointed chairman of PA MANAGEMENT CONSULTANTS with responsibility for its activities in the UK. He was chief executive of the UK South Group of PA Management Consultants and will be based in London.

ENERGY SEARCH ONE N.V.

NOTICE OF POSTPONEMENT OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of Energy Search One N.V., which had been previously scheduled for September 15, 1983, has been postponed to October 19, 1983. The meeting will now be held at the office of the Company at De Ruyterkade 28-A, Curacao, Netherlands Antilles, on October 19, 1983 at 10.00 o'clock in the forenoon, for the following purposes:

- To report on the course of business during the fiscal year ended December 31, 1982.
- To approve the consolidated balance sheet as at December 31, 1982 and the consolidated statement of income for the period ended December 31, 1982 of Energy Search One N.V. and its wholly-owned subsidiaries, E.S. One B.V. Ltd., E.S. One Capital Corporation, E.S. One Colorado Inc. and Energy Search Capital Corporation N.V.
- To approve the declaration of a shareholder dividend.
- To elect the Managing Director.
- To elect Supervisory Directors.
- To ratify the appointment of Messrs. Coopers and Lybrand as certified public accountants to audit the books and accounts for the year ended December 31, 1983.
- To amend the Company's Articles of Incorporation in order to permit trading of the Company's shares on the secondary market in the U.S. and Canada.

The following proposals will also be on the agenda:

- Nomination of new Board of Supervisory Directors.
- Termination with one year notice of Management contract.
- Modification of Articles of Incorporation.
- Mandate to Board for:
 - Distribution of Common shares.
 - Negotiate new management contract.
- Discussion of such other matters as may properly come before the meeting.

All resolutions shall be taken by absolute majority of votes, with the exceptions of (1) amendment of the Company's Articles of Incorporation or other matters which require a two-thirds majority of the votes of the shareholders, and (2) termination of the Company's management contract, which shall require a three-fourths majority of the votes of the shareholders. In the event of a tie, the Chairman of the meeting shall have the casting vote.

Shareholders are requested to bring to the meeting a copy of their shares and to produce this receipt at the meeting.

November 15, 1983 is the record date for the purpose of determining shareholders entitled to vote registered shares at this Annual General Meeting of shareholders. Shareholders who are not registered as of November 15, 1983 will be entitled to vote at such meeting in person or by proxy.

September 19, 1983. By Order of the Board of Supervisory Directors

ENERGY SEARCH ONE N.V.

DE RUYTERKADE 28-A

CURACAO, NETHERLANDS ANTILLES

INTERIM DIVIDEND NOTICE

At a meeting of the supervisory directory held on July 18, 1983, the following interim dividend was declared against retention of Coupon No. 3 as from September 23, 1983, to shareholders of record as of July 18, 1983:

Distribution to the shareholders of the company on a pro rata basis of shares of the Chronar Corp. beneficially owned by the Company, being 0.5998 Chronar share equivalents for each share of the company.

Distribution to the shareholders of the Company on a pro rata basis of specified shares of common stock, warrants, interest in leases or interests in oil and gas wells owned by the Company.

Under the distribution the shares of common stock, warrants, the interests in leases and the interests in wells have been placed in a trust called the Energy Search One Liquidating Trust, with the trust certificates being distributed to the shareholders on a pro rata basis.

Paying Agent:
Energy Search One N.V.
c/o Energy Search And Management Inc.
1905 Sherman
...udo 80283

The World at Your Service.



Nippon Express is your multinational freight forwarder. On land. On sea. And in the air. The direct link between you and your destination anywhere in the world, thanks to our global network of strategically located offices ensuring fast, accurate, dependable door-to-door service according to your exact needs.

Wherever you're located, forward with the best.



Nippon Express U.S.A., Inc. Nippon Express Hawaii, Inc.
Nippon Express (Nederland) B.V. Nippon Express (U.K.) Ltd.
Nippon Express (Deutschland), GmbH.

Nippon Express (Singapore) Pte., Ltd. Nippon Express (H.K.), Co., Ltd.
Nippon Express do Brasil Transportes e Turismo Internacionais Ltda.
Nippon Express Saudi Arabia Ltd. Nippon Express (Belgium) N.V./S.A.
Nippon Express Canada Ltd.

BIDS AND DEALS

Caparo Group in property deal

Caparo Industries, steel stock-holding, industrial services, engineering and property group, is to sell off its 75 per cent stake in Caparo Properties for £2m.

However, Caparo Group, the privately owned company which controls Caparo Industries, will purchase at least 65 per cent of the shares in Caparo Properties. This will give Caparo Group a 51 per cent holding in Caparo Properties. The shares are being offered to existing Caparo Industries shareholders at 32p per share.

The move to separate Caparo Industries from Caparo Properties is the final step in the reorganisation of Caparo Properties, formerly E. Austin and Sons. In May, Caparo Industries sold its investment properties to Caparo Properties for £3.6m, and purchased the fork lift truck

business from Caparo Properties for £1.2m.

The directors of Caparo Industries said that they believe that the market rating of Caparo Industries will be improved by a higher rate of return than is possible from the present combination of industrial and property assets. It will also reduce its consolidated debt to a level more appropriate to an industrial group.

Caparo Industries also announced its interim figure for the six months to June 30 showing pre-tax profits of £911,000 against £159,000. Turnover was up from £23m to £29.5m. The dividend was lifted from 0.5p to 0.85p.

Shares in Caparo Properties closed 2p up yesterday at 36p. Caparo Industries shares dropped 18p to 243p.

Samuel Montagu seeks to expand shipping side

Samuel Montagu, merchant bank, is holding talks with Stewart Wrightson Holdings on the possible purchase of the insurance broking group's shipping interests.

A brief statement by both companies yesterday said the discussion could lead to an offer for Galbraith Wrightson Shipping, a leading company in ship-broking.

Montagu began developing shipping finance and advisory services about a year ago, having been inactive in the sector since the 1960s. It sees the possible acquisition of Galbraith as a progression of its shipping activities.

Galbraith's business covers the tanker, dry cargo and sale and purchase markets. Ship-broking profits fell by 46 per cent last year to £1.5m, as the world shipping industry remained in recession.

The first half of 1983 saw a further drop in shipbroking profits, according to the group's interim report. Losses were also made on ship operating.

Several other leading merchant banks own ship-broking companies. Lambert Brothers is part of Hill Samuel and Kleinwort Benson owns Harley Mullion.

Mr David Rowland, Stewart Wrightson's chairman, said in his interim statement earlier this month that "there is little sign of any sustained improvement in the shipping market".

Group pre-tax profits moved up from £418m to £462m in the first half, with growth in insurance broking profits partly offset by lower profits from both shipping and air broking.

SOTHEBY

Lazard Brothers yesterday published the formal offer document containing a 700p per ordinary share cash offer to shareholders of Sotheby Parke Bernet on behalf of Taubman UK Investments, valuing the company at £57.2m.

Sotheby's board recommends the acceptance of all the offers and includes a pre-tax profit estimate for the year to August of at least £4.5m, compared with a loss of £3.1m in the previous year.

At 700p, ordinary shareholders will gain a 47 per cent increase in capital value above the 475p share price on June 9 when Mr. Sotheby announced his intention to make a bid.

A 170p cash offer for preference shares represents a 59 per cent increase over the June 9 price of 107p. A further offer has been made for option shares.

Closing date for acceptances is 3.30 pm, Thursday October 13 1983. An EGM will be held on Monday October 17 at Sotheby's, 34 New Bond Street, to approve the resolution and a capital restructuring of Sotheby's.

Sotheby shares closed at 680p unchanged yesterday.

Gen. Oriental Aspinall's Club deal unveiled

General Oriental, the Hong Kong company controlled by interests of Sir James Goldsmith, is to put proposals to its shareholders for the divestment of its investment in Aspinall's Club.

General Oriental holds its stake in Aspinall's, a London based gaming club, in unsecured loan stock which is convertible into 50 per cent of the equity. Yesterday General Oriental said that it is to carry out its divestment plan by offering its shareholders "a dividend in specie of the shares in its wholly owned subsidiary company which owns the investment company in Aspinall's".

The group added: "These proposals for a dividend in specie will enable the company's shareholders to benefit directly in the future prosperity of the gaming investment in a marketable form and will meet the requirements of the gaming board."

General Oriental has formed a new Hong Kong holding company called Ultra-bridge Investments (1983). Shareholders on the register at the close of business on October 5 1983 will receive one share of HK\$0.01 each, credited as fully paid, in the capital of Ultra-bridge Investments for each General Oriental share held by way of a dividend distribution.

Ultra-bridge Investments will then sell the whole of its business and undertaking, consisting of its interest in a wholly owned subsidiary owning the loan stock in Aspinall's Club, to a new UK company which will be called Aspinall Holdings.

Ultra-bridge Investments will then be placed in liquidation. As a result shareholders will receive one new share, credited as fully paid, in Aspinall Holdings of 10p each for every four shares that they at present hold in the company. Shareholders will have a 25 per cent interest in Aspinall Holdings and be able to hold up to 50 per cent of the equity. The other 50 per cent is held by Mr John Aspinall.

Aspinall's board is planning to offer its shares for sale on the London Unlisted Securities Market. The sale, General Oriental said, is anticipated to take place in early November.

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Spring Grove goes for Pritchard's lower bid

BY RAY MAUGHAN AND WILLIAM DAWKINS

Spring Grove, the troubled linen hire and laundry group, yesterday announced that it was accepting a lower offer from Pritchard Services because that was less likely to go to the Monopolies and Mergers Commission than a rival offer from Sunlight.

Pritchard is offering three of its own shares for every eight shares in Spring Grove, which at Pritchard's price yesterday of 123p values Spring Grove at £15.3m or 46.1p per share. Sunlight's offer is worth 72p per share or £24m.

Mr G. H. J. Robinson, chairman of Spring Grove, said in a letter to shareholders that lack of management control at the St George's linen hire business had affected trading efficiency.

Spring Grove acquired St George's last June for £7.6m, but the rationalisation of the business and the creation of additional provisions meant that the net assets acquired were less than anticipated," said Mr Robinson.

St George's would benefit from Pritchard's management, but it was still possible that the merger of the two groups would

involve redundancies. However, these would be less than would have resulted had Spring Grove not merged with Pritchard.

The latter, contained in Pritchard's offer document to Spring Grove shareholders, predicts that the company's pre-tax profits for the year ending September 30 1983 will be £0.4m against £2.7m in the previous year.

This includes a loss of £1m from St George's and £1.6m in interest costs.

Mr Robinson added that Spring Grove would benefit from increased sales to Pritchard's customers in building maintenance, health care support and security services.

Pritchard already has acceptances representing 50.2 per cent of Spring Grove's equity, but its offer is still conditional on clearance from the Office of Fair Trading and Stock Exchange permission for a listing for the 12.437m new shares needed to put the offer into effect.

Sunlight determined to pursue its £24m equity offer for Spring Grove in the face of

Pritchard's shut out, was yesterday attempting to drum up support from uncommitted shareholders. Its merchant banker, Kleinwort Benson, claimed yesterday that at least one insurance company was contemplating an approach to the relevant Investor Protection Committee.

Kleinwort Benson has been attempting to show that the Spring Grove holders who approved 14.1 per cent of Pritchard were given inside information in the context of Sunlight's greater risk of a takeover.

Sunlight is expected to publish its defence against the £31m offer from Pritchard but its own offer document claims that it is offering 37 per cent more than Pritchard, that Sunlight's business, although different, is complementary in Spring Grove's operations and that "Pritchard does not nor can it credibly claim to possess the depth of market expertise in all Spring Grove's activities and, in particular, the linen hire market which is necessary to re-establish Spring Grove as a major force in the industry."

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Int. Paint companies bought out

BY ANDREW ARENDS

THE INTERNATIONAL paint contracting divisions of International Paint are to be sold up and bought by the management in two separate deals worth around £1.3m.

International Marine Contractors, and International Structural Contractors, the ship and industrial painting divisions together with the scaffolding division are to be sold for around £1m to DMB, which was set up to purchase the two painting divisions and is headed by Mr Douglas Blewitt, currently managing director of the entire paint contracting group. The transfer will take place next month.

International Contracting

Equipment, which manufactures and supplies marine descaling equipment and marine and industrial painting equipment, has been purchased by Inmar Contracting Equipment for a reported £300,000. Inmar, set up specifically to buy the ICE division from International Paint, is controlled by Mr Joseph Hughes, formerly operations director of the division.

Both Inmar and DMB will continue to operate the businesses from the Newcastle area.

International Paint, a subsidiary of Courtauld, said yesterday that the contracting

divisions had been peripheral to the group's main business of manufacturing paint.

HERON STAKE IN BURMAH OIL

Insurance interests of Heron Corporation, the trust set up to protect the assets of Mr Gerald Ronson, have built up a stake of under 1 per cent in Burmah Oil.

But Heron denied yesterday that Mr Ronson had bought a near 5 per cent stake in Burmah Oil. "Through our own insurance company we have a very, very small stake. This is under 1 per cent and was bought a couple of months ago. It is a straight investment and nothing else."

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epic Estates Property Investment Company P.L.C.

Results for the year ended 30th April 1983

	1983	1982
Gross rents receivable	4,126	3,977
Net property income	3,234	2,901
Surplus available for distribution	1,581	1,505
Earnings per share	8.32p	7.96p

Extracts from the statement by the Chairman, Mr. L. C. T. Cottrell

- ★ Our principal acquisition during the year was the 15 acre site in Crawley, Sussex, in partnership with Royal Life Insurance Company. Construction has started and is making excellent progress. It is considered that when the site is fully developed and let our share of the project will prove to be a very valuable investment.
- ★ The pre-let development of offices and warehousing at Walslow, Cheshire, was completed and occupied well ahead of schedule and we are optimistic over enquiries being received for other accommodation on the site. With regard to other developments in hand and the existing portfolio, the recent slow but gradual acceleration in the economy has been reflected in lettings.
- ★ The increased rentals shown in the profit and loss account include a measure of rent review increases but it should be noted that approximately 45% of current rentals are due for review in this and the following two financial years.
- ★ At 30th April last, the overall portfolio was valued at £20,856,000 to give a net asset value of 179p per share. In the economic and financial conditions pertaining earlier this year, this is regarded as a satisfactory outcome.

Copies of the complete Report and Accounts may be obtained from the Secretaries, W. H. Sturtevant & Co., 1 Leve Lane, London EC2V 7JJ.

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BANK RETURN

Wednesday September 21 1983 Increase (+) or Decrease (-) for week

BANKING DEPARTMENT

	£	£
Liabilities		
Capital	14,255,000	+ 1,241,961
Public Deposits	616,412,672	+ 97,989,244
Bankers Deposits	1,988,539,596	+ 6,669,372
Reserve and Other Accounts		
	2,259,759,427	+ 10,876,921
Assets		
Government Securities	388,440,858	- 87,969,999
Advances & Other Accounts	998,574,028	+ 130,689,546
Premises Equipment & other	680,477,759	+ 63,980,412
Notes	13,205,055	+ 1,224,257
Cash	171,736	- 2,307
	2,259,759,427	+ 10,876,921

ISSUE DEPARTMENT

	£	£
Liabilities		
Notes issued	11,400,000,000	- 40,000,000
In Circulation	11,487,796,848	- 824,257
In Bankers Deposits	12,805,055	+ 1,224,257
Assets		
Government Debt	11,015,100	-
Other Government Securities	4,051,139,010	+ 554,667,989
Other Securities	7,537,861,580	+ 554,667,989
	11,400,000,000	- 40,000,000

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INTERIM RESULTS 1983

	Half year ended 30th June 1983 £000	Half year ended 30th June 1982 £000	Year ended 31st Dec. 1982 £000
Turnover	22,304	21,922	46,500
Pre-tax profit	11	229	452
Attributable (loss)/profit	(301)	(33)	1,072
Loss per share net basis	(0.81)p	(0.10)p	(0.37)p
Dividend per share	0.50p	0.50p	1.25p

THE PROPERTY MARKET BY MICHAEL CASSELL

Samuel steps up U.S. programme

SAMUEL PROPERTIES has decided to step up its commercial development activities on the west coast of the United States, following completion of two schemes in Los Angeles.

Samuel, which kicked off in the U.S. in 1980 by converting a New York office tower into luxury flats, has decided to take up an option to purchase from a publishing company a site at San Rafael, Marin County, about 15 miles north of San Francisco. Work on the 55,000 sq ft scheme will start next year.

Although it has become a popular area with domestic and overseas real estate investors, British involvement on the west coast has so far been limited. Capital and Counties has a 23 per cent stake in Westamerica Properties, a joint holding company with the Prudential, Equity and Law and Mercantile Investment Trust which has developed four schemes in San Francisco. Hammons has set up shop in Los Angeles but is still looking for something to do.

Peter Lewin at Samuel says that the market in San Francisco area — where even tougher restrictions on downtown development are being proposed by the planners — is always comparatively strong and is currently showing clear signs of further improvement.

Samuel is also going ahead in the spring with a 200,000 sq ft office development — jointly

with Sears Holdings — in El Segundo, close to Los Angeles airport and in an area expanding fast on the back of aerospace and defence business. The site is directly opposite the recently completed Airport Towers, comprising 1.1m sq ft of offices and leased to Hughes Aviation and Rockwell Industries.

Lewin says the company looked at different areas in the U.S., including the now shaky Sun Belt, but decided instead that the opportunities offered by the west coast outweighed the disadvantage of distance.

Of the two recently completed developments in Los Angeles, the \$10m Holmby building at 10474 Santa Monica Boulevard, West Los Angeles, is virtually fully let while the 76,000 sq ft development at 4640 Lankershim Boulevard, North Hollywood, has been 60 per cent leased. Some income will begin to flow during the current financial year, though not for the year to June 30, results for which are due next month.

The group's U.S. portfolio represents a small — estimates suggest around 15 per cent — but increasingly important part of its total property assets (in the books at \$68m during 1981-1982) but it says it has an open mind about whether they will be retained as investments or sold on. "It will depend on what the market is like at the time," Lewin adds.

City plan for Land Securities

City of London Real Property, the Land Securities subsidiary, is seeking planning permission from the City of London Corporation for an office and retail development scheme in Gracechurch Street, E.C.3.

The plan, which embraces 77-89 Gracechurch Street, involves the demolition of all properties, including the Swan Tavern which is located in Ship Tavern Passage. Land Securities has several development and refurbishment schemes currently under way in the City but Peter Hunt, managing director, is not ready to talk about this one "until all the loose ends are tied up."

A well-known Birmingham landmark, the Embassy Sportsdrome, reputedly the first property purchased by Charles Clure, is to be auctioned on October 6. The building, erected in 1903 as roller skating rink, has hosted many famous sporting events during its history — including a world championship boxing fight in which Randolph Turpin was the victor — but has more recently been used as a bingo hall. The property is being sold on behalf of relations of Charles Clure by Jack Cotton and partners, a name which was closely allied with Clure for many years. The agents have given a guide price of £10,000.

Daon fights for survival

VANCOUVER-based Daon Development Corporation's proposed C\$165m (£88m) rights issue, planned to follow a massive debt reorganisation, has come as something of a surprise to the Canadian property market.

Surprise, in fact, may be too mild a term. The money from the rights issue is to be raised outside Canada with London merchant bankers Kleinwort Benson acting as lead manager and Laurie Millbank as broker. Given the complex structure of Daon's C\$1.9bn of total debt, analysts are saying it was an incredible achievement for the company to agree a detailed restructuring programme with its banks.

"To add to it some foreign investors prepared to put up C\$165m is a noble effort," said Ira Gluskin, property analyst with Toronto stockbrokers Brown, Baldwin & Nisker, "I'm flabbergasted."

The rights issue will only go ahead if the restructuring programme is agreed, but analysts believe that bankers and debenture holders have little choice but to give it their formal approval. Daon's debt is backed up by equity of only C\$72m, its shares trade at C\$1.80, having once seen a high of C\$13.62 and it ceased paying all dividends and buying in preference shares as required more than 12 months ago.

Detailed documents on the restructuring are to go out at the weekend. Interest and some principal repayments arising between August 1 last year and October 31 1983 are to be

satisfied by the issue of new common shares. Principal payments arising later are to be rescheduled and debenture holders will be given an option to convert to the new shares.

Daon's debt to equity ratio, although improved, will still be high and analysts are puzzled why a British banker and broker should be prepared to back the raising of new money.

Mr William Levine, Daon's chief financial officer said that foreign investors saw that, after restructuring, the company would be an attractive vehicle to invest in North American real estate. "Our properties are good properties. Our problems have been too much debt," he said.

Daon's fast growth — from 1977 to 1981 its assets rose five-fold to C\$2.37bn — was built by using debt to finance clever property and land sales in an inflationary market. In the mid-1970s Daon moved into the United States, acquiring residential apartments in California across the sun belt and into Florida. The apartments were converted to condominiums and sold.

At the same time the company built up land banks, particularly in California and the fast-growing, oil-rich Canadian province of Alberta. The intention was to use profits from land and apartment sales to service debt while building up a substantial, high-value commercial portfolio.

The strategy worked. In 1980 residential sales amounted to 49 per cent of revenues and land sales 29 per cent while

profits at C\$51.3m had grown from C\$10.3m in 1977. But Daon was buying and developing its commercial portfolio at what proved to be the top of the market. As interest rates soared in 1981, Daon bought a 47-storey office block in Montreal for C\$83m, a 40-storey office block in Philadelphia and a half interest in the controversial Omni complex in Atlanta. Assets rose by 41 per cent, but the bottom had dropped out of condominium sales. The company made a provision of C\$44m against its residential properties and earnings dropped to C\$17.2m.

As the oil and gas business slumped in western Canada its Alberta land became almost unsaleable and Daon could no longer service its loans. In 1982 the company lost C\$85.5m. Negotiations over the restructuring of its debts have taken 18 months. During that time the company has sold nearly all its residential apartments. Analysts say that it retains some high quality commercial properties and potentially saleable land. But they await the detailed documents with interest to see why a company pushed to the edge of collapse, can command sufficient confidence for a rights issue from foreign investors.

NICHOLAS HIRST

Electricity Supply Nominations (Scotland) is to sell Carlton House, Blythswood Square, Glasgow, with vacant possession. The property has nearly 10,000 sq ft of floor space and has "considerable development potential."

Florida tenant for Guinness Peat

GUINNESS PEAT Properties has completed its joint venture office project with Knight Enterprises at Cypress Creek, Fort Lauderdale, Florida. The 104,600 sq ft building, known as the Broward Trade Centre, has been fully let to a U.S. telecommunications corporation at a rent in excess of \$1.5m a year. Guinness Peat were advised throughout by Healey & Baker in New York.

DCI, Developments Commercial and Industrial (Holdings) is to develop a city-centre business park on a three-acre site at Port Dundas, Glasgow. The \$9.5m scheme will provide 130,000 sq ft of floor space and an existing office block of 25,000 sq ft — representing a further investment of \$200,000 — will be retained.

The GLC Superannuation Fund has bought the freehold of the recently completed Finsbury Park trading estate, London N4 for a price in the region of £1.7m. The purchase of the fully-let estate provides a return of about 7 per cent to the fund, which was represented by Hillier Parker May & Rowden.

Park Royal Developments, a Guinness subsidiary, is to start work on a \$4.5m office

project off London's Fleet Street. The company, which held a lease on 8-9 East Harding Street, negotiated through Weatherall Green & Smith a new 125-year lease with the Goldsmiths Company, the freeholders. The 21,500 sq ft scheme has been sold by Weatherall to Scottish Mutual Assurance and has been pre-let to a firm of solicitors at a rent approaching £15 a sq ft. It will be completed by the end of 1984.

L'Union Minière is taking 53,500 sq ft of floor space in offices just developed by Assurances Generales in Place Stephanie, Brussels. The rent is BFR 4,000 a sq metre (equating to about \$4.65 a sq ft) exclusive. Compagnie Immobilière de Belgique, Hillier Parker's Belgian associate, advised the tenant.

Pension fund clients of Lloyds Bank investment department have paid about \$1.5m — showing an initial yield of 5.35 per cent — for Sandwhart, a 15,800 sq ft net office building in Cheese Lane, Bristol. The building, developed by Chivers Developments, is let to Clerical Medical and General Life Assurance at an initial rent of £87,950 a year. Savills advised Lloyds and Lalonde Bros acted for Chivers.

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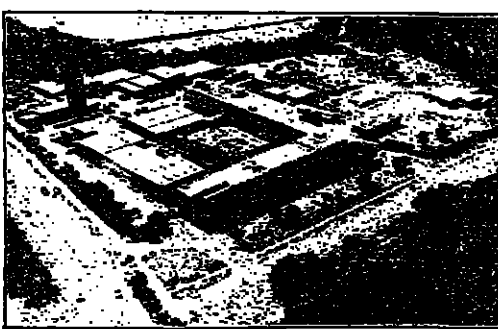
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**US farmland will
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this century' - Savills**

By Tony Glover

Agricultural land in North America may now be better value than at any time before the end of the century, says a report by Savills. Most sales of American farmland involve a high level of financing and US interest rates have fallen to a five-year low.

The current world recession, coupled with three exceptional harvest worldwide - with the exception of Russia - has adversely affected the price of US farmland and this has temporarily depressed the value of the land.

The report says: "Before confidence returns to the agricultural sector, there will be many excellent investment opportunities available."

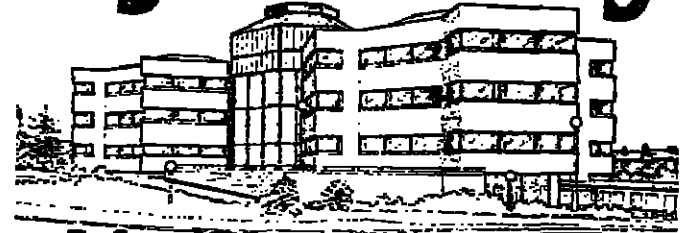
The report is the US Department of Agriculture. Douglas, who is assistant secretary, ranking number three in the US Department of Agriculture. The report says: "Before confidence returns to the agricultural sector, there will be many excellent investment opportunities available."

Copies of Savills Special Report "USA Agricultural Land - An Assessment of the Investment Opportunities" are available on request from George Inge or Jeremy Helsby in London or Leicester Le Sueur in Washington DC.

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WALL STREET Resilience despite Fed inundation

RESILIENCE was to be found yesterday more readily among Wall Street's stocks than in the credit markets as the U.S. Treasury's autumn funding deluge initially washed away some of the gains in value established there over the past week or more, writes Gordon Cramb in New York.

By 2pm, the Dow Jones Industrial average was 8.95 up at 1,252.24, compared with the peak of 1,249.19 it set on Tuesday.

The debate over whether the Federal Reserve has to any extent softened its monetary stance remained inconclusive - a lack of certainty highlighted in a Federal Funds rate which held at around 9% per cent against Wednesday's average of 9% and bids on Tuesday as low as 8%.

Wednesday's wrinkles are usually wrought by the weekly settlement operations of the banks, lending among which the rate reflects. The inability of funds to return yesterday to the newly established lower levels caused some concern, however.

Prices of government paper dipped a half-point at the long end, ahead of the auction last night of \$3.5bn in 20-year

bonds to complete the \$14.25bn programme. Dealers were quoting when issued rates for these at around 11.93 per cent, up from the 11.88 indicated the previous day.

But then shortly after 1pm the bond market managed a rally which corrected the morning's downward drift but did not immediately go on to chart much further progress. With the weekly money supply figures out today, waxings and wanings of sentiment toward the end of the week have now become commonplace.

The improvement followed a further operation by the Federal Reserve, which has been acting to help the market each day now since Wednesday last week. The four and seven-day repurchases for its own account, scheduled in advance the afternoon before, were implemented with a stop rate for Fed Funds of 9 per cent.

The rate, however, showed little inclination to approach this level.

Notable movements among stocks tended mainly to be on the gains side - with the exception of Eastern Air Lines which slid an early 3% to 5% as it moved to tackle its unions on wage cuts.

In the financial services sector, Allegheny jumped 5% to \$71.10 on market suggestions that American Express might again be interested. Amex eased 5% to \$38.

Avco, with aerospace involvements as well as financial services, reported modestly better third-quarter earnings and put on 3% to \$34.

Wometco Enterprises, which agreed an investors' bid worth \$48.50 a share, moved up just 5% to \$43.90, for which it is a major bidder and which

has been receiving favourable mention, gained 5% to \$51.

General Motors, pressing on with its production tie-up with Toyota despite delays and labour concessions, added \$14 to \$74 in an otherwise dull Detroit sector.

The mid-session revival in the credit markets occurred despite the Funds rate's obstinacy. The bellwether long bond, the 12 per cent due in 2013, returned to its overnight price of just on 103 and yield of 11.63 after slipping well below 102 1/2 in the morning.

Treasury Bill rates at a discount of 8.95 per cent for the three-month and 9.02 for the six-month were one basis point easier after initial rises of four basis points or so.

Dealers noted a tapering off in retail demand from a good Monday volume to rather little yesterday, leaving the bulk of the trading to be conducted among the institutions.

LONDON

Blue chips up as BP bides time

BUSINESS volume in London left much to be desired yesterday but the market remained quite firm. Investors continued to wait for the outcome of the BP tender offer - applications for the Government's sale by tender of 130m shares must be received by 10am today - and dealings are scheduled to start on Monday.

Growing conviction that the offer will be a success - suggestions were that it may be up to six times oversubscribed - and continuing optimism about short-term interest rates underpinned markets.

Despite opening easier in sympathy with Wall Street's overnight fall, leading blue chips rallied on small demand with the recently depressed electrical leaders showing up well.

Dunlop rose 4p to 57p, following the interim report and details of the Sumitomo deal, while Vickers softened on uninspiring half-year figures. The FT Industrial Ordinary index, 1.9 down at 10am, rallied to close 2.1 up at the day's best of 708.1.

Mining markets were highlighted by marked weakness in South African golds and related issues.

The early selling in minings emanated from overseas, in particular Europe, and was thought to have reflected rumours of possible IMF gold sales. Details, Page 31; Share Information Service, Pages 32-33

AUSTRALIA

BASE METAL miners suffered the most in Sydney yesterday as the market retrenched in moderately active trading. The All Ordinaries Index was 8.4 down at 706.5.

A sharply higher Australian dollar

Yesterday saw market holidays in Hong Kong for the day after the Chinese mid-autumn festival and in Melbourne for Show Day. Today, Tokyo is closed for the autumn equinox holiday.

and a perceived disparity between metal prices and stock market values of mining companies fuelled the reversals.

EZ Industries fell 22 cents, one of the largest declines of the session, to A\$5.86. Western Mining surrendered 16 cents to A\$4.54. Pancon dipped seven cents to A\$1.63 and CRA closed 14 cents off at A\$5.82.

Bank stocks were sharply lower, with building material supply, property and brewing issues generally lower.

SINGAPORE

DESPITE wide gains on the Singapore market yesterday, some dealers described the mood as lethargic and slowly gaining strength before the inevitable corrective phase. The Straits Times Index gained 6.88 to close at 887.39.

Banks were strong with OCBC firming 10 cents to S\$10.90 and UOB 15 cents ahead at S\$5.45. Malayan Banking improved 35 cents to S\$9.85 on rumours of a rights and scrip issue.

SOUTH AFRICA

A SLUMP in the bullion price unnerved Johannesburg yesterday and generated wide losses in gold mining shares.

Quality stocks bore the brunt of the falls with Vaal Reefs R5.50 lower at R14.50, Buffels lost R3 to R84, while Unisel at the other end of price range shed R1.25 to R10.

Mining financials lost, although a firmer bias was detected in industrials with Allied Technologies R2 ahead at R32.

CANADA

A SELL-OFF was curtailed in Toronto yesterday when a mid-session rally checked early weakness in prices.

Phoenix Canada Oil resumed trading at C\$10%, having been suspended on news that it had an interest in an Alberta oil field.

Papers were the only bright spot in Montreal, where banks, industrials and utilities all suffered. Vancouver was also weaker.

TOKYO

Focus shifts to counter vicissitudes

INVESTOR interest shifted kaleidoscopically between speculative stocks and blue chips in Tokyo yesterday, but the Nikkei-Dow Average overcame a morning loss of 19.59 points and managed to close higher for the third straight session, writes Shigeo Nishiwaki of Jiji Press.

The Dow indicator added a moderate 7.74 to finish at 9,280.30, despite a fall from a record high on Wall Street, the yen's easing, and increased selling by overseas investors prior to a market holiday today.

Trading was slow at 255.65m shares, down from Wednesday's 344.16m. Gainers and losers were even at 336, with 193 issues unchanged.

Although most securities houses were trying to make blue-chip and large-capital stocks set the pace of trading, the market acquired an even stronger tinge of "money games" as many investors, unsure about the short-term outlook, went after speculative issues with large price fluctuations to gain quick profits.

The prime example of such speculative interest was Aoki Construction, which fell Y40 but rallied sharply in late trading to close Y49 higher at Y849. Arabian Oil fell Y280 to Y5,480, and Joban Kosan Y40 to Y410.

Large-capital steels and shipbuilders lost further ground under continuous selling, with Mitsubishi Heavy Industries off Y4 to Y253. Sumitomo Chemical, the session's most active issue, fell Y3 to Y173.

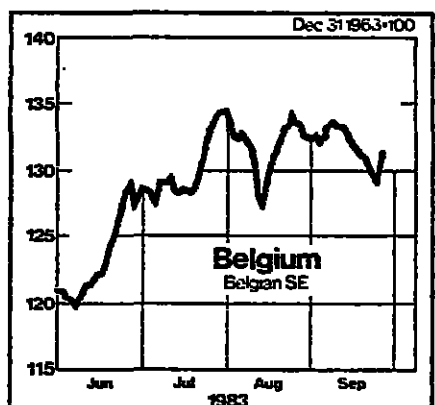
Blue chips came to the fore again in the afternoon session, as the advance of Matsushita-Kobobuki, the video cassette recorder production arm of Matsushita Electric Industrial, pulled up other Matsushita group issues. Matsushita-Kobobuki rose Y220 to Y4,030, Matsushita Electric Y40 to Y1,710, and Sony Y20 to Y3,690.

Middle-priced blue chips also attracted buying, with Minolta gaining Y16 to Y696, Brother Industries Y30 to Y838,

Old Electric Y14 to Y704, and Iwatsu Electric Y60 to Y1,870. Nippon Oil gained Y40 to Y1,030 and Yamanouchi Pharmaceutical Y80 to Y1,840.

Sentiment turned bearish on the bond market as city banks and other financial institutions appeared more inclined to sell off their holdings. Several city banks each put up Y10bn to Y20bn worth of 10-year government bonds, but securities houses were reluctant to meet the sell orders because of their already high inventories.

Yields on 7.5 per cent government bonds, with 9 1/2 years remaining to maturity, and 7.7 per cent government bonds, with 6 1/2 years to maturity, changed little from Wednesday, at 7.85 per cent and 7.52 per cent, respectively.



EUROPE

Strike hopes fuel surge

PRICES MOVED ahead on the Brussels bourse yesterday, eliminating the falls of the previous eight trading days. Electrical stocks such as Tractel showed particular gains, but improvement was less marked among oil and engineering shares, writes Paul Cheeswright in Brussels.

The market was responding to the possibility of a quick end to the public sector strike, now in its second week. Following the breakthrough in negotiations between the unions and the Gov-

ernment on Wednesday, the market calculated that of the two major trade union groupings, the Christian Democrats would accept the deal while the Socialists would not want to be left isolated.

Wednesday's decision by the central bank not to raise interest rates was seen as a positive factor, and the bourse index added 2.4 to 131.51.

The level of trading was high in contrast to the scattered interest of recent days. But foreign stocks registered light falls under the influence of the lower opening on Wall Street.

Sofina gained BFr 125 to BFr 5,010 with Gevaert BFr 130 stronger at BFr 2,500. Bruxelles Lambert was BFr 60 higher at BFr 2,310 and Petrofina closed BFr 30 ahead at BFr 5,970. One of the few losers was Delhaize, BFr 10 weaker at BFr 4,700.

Elsewhere, Fiat and Olivetti led a rally in Milan although overall volume was low and large investors were noticeably absent. Covering operations and speculative activities underpinned the advance.

Active trading brought Fiat L35 higher to L3,025 on the strength of its trading result, while Olivetti put on L110 to L3,350 despite denials from AT&T about buying a stake in the Italian group. Banca Commerciale and Credito Italiano both advanced, while retailer Standa was L200 higher at L5,250.

Directionless trading in Frankfurt saw investors reluctant to commit large amounts of new funds.

AEG was particularly weak on profit-taking at DM 80.20, a loss of DM 1.30, while steelmaker Hoesch fell DM 5.10 to DM 84. The Commerzbank index dropped 4.3 to 930.2.

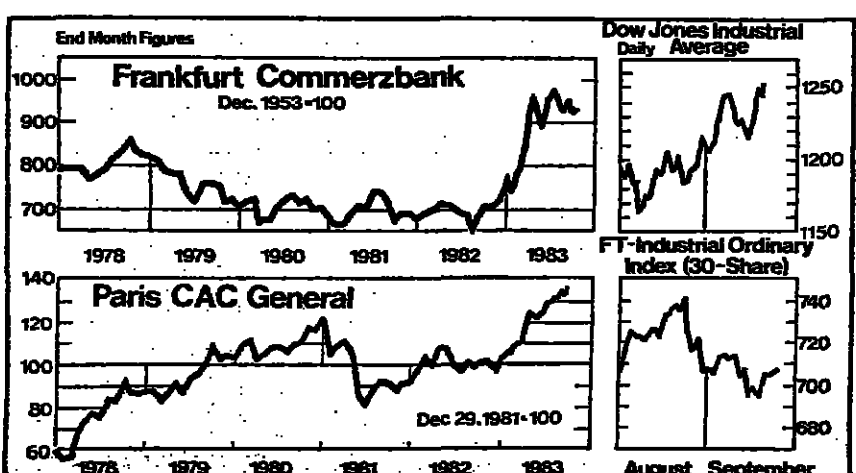
All major stock issues dropped while banks and chemicals fell up to DM 1.50. Degussa was out of step with a DM 2 rise to DM 355.

Disappointment over Wall Street's retreat left Amsterdam mixed with some interest on international. Unilever was FL 1.30 higher at FL 229.30 and Philips gained 80 cents to FL 49, although Royal Dutch weakened 30 cents to FL 137.50 and KLM shed FL 1.30 to FL 148.50.

Banks were mixed with ABN FI 1 off at FL 373 and NMB up FL 3.50 to FL 152. Publishers advanced with Elsevier FL 10 higher at FL 390.

Technical trading dominated Paris again, leaving prices lower, while Stockholm and Zurich were mixed. Banks and electricals moved Madrid higher.

KEY MARKET MONITORS



STOCK MARKET INDICES				
	Sept 22	Previous	Year ago	
NEW YORK				
DJ Industrials	1252.24	1243.19	927.61	
DJ Transport	588.28	587.49	368.71	
DJ Utilities	133.24	133.14	116.69	
S&P Composite	109.11	109.15	123.95	
LONDON				
FT Ind Ord	708.10	706.00	582.60	
FT-A All-share	448.91	446.31	359.25	
FT-A 500	486.65	482.41	397.34	
FT-A Ind	436.58	432.22	370.07	
FT Gold mines	614.80	651.50	367.2	
FT Govt secs	61.81	61.83	79.05	
TOKYO				
Nikkei-Dow	9280.30	9272.56	7071.10	
Tokyo SE	694.68	683.62	531.27	
AUSTRALIA				
All Ord.	706.50	714.90	520.40	
Metals & Mins.	587.30	570.00	421.50	
AUSTRIA				
Credit Aktien	54.94	54.92	47.87	
BRUSSELS				
Belgian SE	131.51	129.11	101.89	
CANADA				
Toronto Composite	2571.00	2571.70	1653.80	
Westbank Industrials	463.03	463.23	304.40	
Combined	435.72	435.57	286.48	
DENMARK				
Copenhagen SE	198.39	199.27	87.39	
FRANCE				
CAC Gen	136.10	136.50	100.40	
Ind. Tendance	145.40	145.80	116.70	
WEST GERMANY				
FAZ-Aktien	313.33	314.73	237.15	
Commerzbank	930.20	934.50	718.30	
HONG KONG				
Hang Seng	closed	849.08	1121.85	
ITALY				
Banca Com.	195.57	194.13	158.83	
NETHERLANDS				
ANP-CBS Gen	141.30	141.00	88.10	
ANP-CBS Ind	113.50	112.50	68.30	
NORWAY				
Oleco SE	209.57	211.29	104.70	
SINGAPORE				
Straits Times	887.39	880.53	659.66	
SOUTH AFRICA				
Gold	905.70	905.70	664.30	
Industrials	952.50	952.50	653.80	
SPAIN				
Madrid SE	115.47	114.77	98.48	
SWEDEN				
J & P	1479.32	1488.87	658.89	
SWITZERLAND				
Swiss Bank Ind	336.20	337.00	252.00	
WORLD				
Capital Int'l	181.10	179.50	137.20	
GOLD (per ounce)				
	Sept 22	Prev		
London	\$408.50	\$411.00		
Frankfurt	\$408.25	\$412.98		
Zurich	\$408.50	\$411.75		
Paris (bid)	\$411.09	\$413.15		
Luxembourg (bid)	\$411.00	\$412.00		
New York (Sept)	\$410.50	\$411.80		

* Indicates latest pre-close figure

FT

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Washington DC

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Mergers and Acquisitions Section
The First Boston Corporation, New York

Mr John Hignett
Director General
Council for the Securities Industry
and Panel on Take-Overs and Mergers

Mr Roger Brooke
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Mr Jonathan Cohen,
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Manx Life Assurance Co Ltd Manxway Friends Friendly Society 30 Goldenhurst Rd, Bournemouth		01-326 25867	
Equity Acc:	148.1	159.9	
Profit Acc:	156.5	142.3	
Reserves:	156.5	142.3	
Assets:	156.5	142.3	
Capital:	156.5	142.3	
Income:	156.5	142.3	
Dividends:	156.5	142.3	
Gr. Life Deposit, Index Fund prices available on request.			
Crown Life Insurance Co. Woking GU24 0XW		04562 5033	
Assets:	152.4	160.1	
Profit:	152.4	160.1	
Reserves:	152.4	160.1	
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Dividends:	152.4	160.1	
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Friends Provident Life Office 100, Leadenhall, London EC3A 3BB		03030 845055	
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Income:	106.6	107.7	
Dividends:	106.6	107.7	
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Assets:	106.6	107.7	
Profit:	106.6	107.7	
Reserves:	106.6	107.7	
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COMMODITIES AND AGRICULTURE

Amicable coffee settlement likely

By John Edwards

PROSPECTS look good for an amicable settlement at the International Coffee Agreement talks in London, which are due to end next week.

But reports from Geneva suggest that there is little hope of a new International Sugar Agreement emerging from the negotiations there.

Major disputes on a number of key issues, and dissension on the whole structure of the proposed new pact, make it almost certain that the sugar talks will end inconclusively on September 30 and will have to be continued next year, probably in February.

In London yesterday the International Coffee Organisation secretariat estimated that stocks held by producing countries would be around 55m bags (of 60 lb each) at the end of September.

It is thought the global export quota for the 1983-84 season will be agreed around last year's figure of 56m bags, and that the agreement's price range of 120 to 140 cents a lb will remain unchanged.

There may, however, be some disagreement over producer suggestions to strengthen controls over exports of coffee to non-member countries, where prices are considerably lower.

In Geneva major sugar exporting countries have been holding private meetings in an effort to reconcile their differences over how the proposed new pact would work.

There is general agreement that EEC membership is vital to the success of any new pact, but the community is reported to be taking a hard line although details of how its system to regulate the world market would work are still somewhat hazy.

Record world wheat production predicted

By John Edwards, COMMODITIES EDITOR

WORLD WHEAT production this year will be a record, and so will the rice crop. But coarse grain supplies will be sharply down, according to the latest market report issued by the International Wheat Council yesterday.

The report predicts that world wheat production will reach 498m tonnes, 2m tonnes above last year's peak total. A decline in the U.S. wheat crop, from 78.4m to 66.3m tonnes, is expected to be more than offset by larger crops in Asia, particularly China, and a big rise in Australia to 17.3m against the 1982 drought-hit crop of only 8.7m tonnes. Carry over stocks at the end of 1983/84 are predicted to rise marginally to 11.8m tonnes.

World rice output is forecast at 120m tonnes (paddy basis), 1m tonnes above the 1982 record. But world production of coarse grains is expected to fall to 858m tonnes, 12 per cent down on the 1982 record of 785m tonnes.

World carryover stocks are forecast to fall from 159m to 82m tonnes by the end of the 1983/84 season.

Weak £ aids base metals

By Our Commodities Editor

THE FALL in the value of sterling against the dollar yesterday brought generally higher prices for base metals, with the London Metal Exchange, only nickel futures fell marginally.

Rumours of a possible strike at a big European zinc mine helped push cash zinc up by 25 to 2549 a tonne. Cash lead, which gained 26.5 to 2269.25 a tonne, was also boosted by further U.S. producer price rises.

Higher grade copper gained 28.5 to 1,024.25 a tonne. However, there was little market reaction to a report from Lima that 4,000 workers at Southern Peru's Cuajone and

1983/84 season. Mainly responsible for the dramatic drop in production is a predicted decline in the U.S. crop from 255.5m tonnes last year to 142.8m. Output in the EEC and Canada is also expected to fall, but Soviet coarse grain production is put 15m tonnes up at 100m tonnes. The report notes that over recent weeks the shortfall in U.S. maize and soyabean crops has forced up prices of all grains sharply, including wheat. The report does not speculate on how much demand for feed quality wheat may be stimulated by the supply shortage of feed grains and protein.

Our Commodities Staff writes: The upward surge in grain and soyabean futures closed lower, following the downward trend in early dealings on the Chicago Board of Trade.

Soyabean and soy oil prices were holding steady, but there were declines in the soy meal (corn) and wheat markets.

Ivory Coast forecast pushes cocoa up

By Our Commodities Staff

COCOA FUTURES rose by the 240 permissible limit in the U.S. crop from 255.5m tonnes last year to 142.8m. Output in the EEC and Canada is also expected to fall, but Soviet coarse grain production is put 15m tonnes up at 100m tonnes. The report notes that over recent weeks the shortfall in U.S. maize and soyabean crops has forced up prices of all grains sharply, including wheat. The report does not speculate on how much demand for feed quality wheat may be stimulated by the supply shortage of feed grains and protein.

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Fighting talk over British dairy surpluses

Farmer's viewpoint: By John Cherrington

BRITAIN'S dairy farmers are well accustomed to vague threats of extreme penalties for producing more milk than the EEC can absorb or export—and to the threats coming to nothing.

Mr Graham Meadows, agricultural advisor to the European Commission, has now come up with some specific fighting talk delivered to hundreds of farmers at a conference at Cirencester organised by Lloyds Bank and BOCM.

The commission was proposing two measures, he said. The first was a 75 per cent levy on every litre produced above the 1981 delivery plus 1 per cent—that is, 75 per cent on the target price. There would also be a 50 per cent levy on milk produced from imported feeds such as soyabean and rapeseed. Each farm would have a quota based on forage acreage. The excess would be sold at a penalty.

The Royal Agricultural College's dairy herd, for example, would pay £10,000 for excess production and a further £8,000 for excess concentrate use. This idea was no more than a quota scheme and would have to be administered by the dairies which bought and produced the milk.

He also forecast that once the milk quota had been settled, cereals, oilseed, rape, beef and sheep would have to follow.

But making any reform of the dairy policy work on the lines suggested would be a labour of Hercules.

It would be possible to penalise individual farmers for overproduction in Britain, where only five milk marketing boards handle the milk, and in the Netherlands where milk disposal is handled by two very large co-operatives. Elsewhere, such a system would be impossible to implement without the Government intervention.

This is anathema to Brussels. It would open the way for hidden national subsidies and could mean the end of the CAP as set out in the Treaty of Rome, the only common policy which, however imperfect, still survives.

Yet it seems that a gradual infiltration of national responsibility for farming field offers the only solution—a policy which, however imperfect, still survives.

Even the effects of the levy have been exaggerated in the propaganda. The figure of £150m, one per cent of GNP, represents the total value of the excess production and the net loss would clearly be less. Failure to reach agreement could make matters even worse for the Irish if

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PRICE CHANGES

In tonnes unless stated otherwise	Sept. 22 1983	+ or -	Month ago
Aluminium	£1050	+	£1060
Copper	£1050	+	£1070
Gold	£1050	+	£1070
Lead	£1050	+	£1070
Nickel	£1050	+	£1070
Platinum	£1050	+	£1070
Silver	£1050	+	£1070
Tin	£1050	+	£1070
Zinc	£1050	+	£1070

LONDON OIL SPOT PRICES

CRUDE OIL—FOB 1st barrel	Latest	Change
Arabian Light	28.60	-0.05
Arabian Heavy	28.55	-0.05
North Sea (Porties)	30.00	-0.12
North Sea (West)	30.00	-0.12
African/Brazil	30.00	-0.12

GOLD MARKETS

Gold fell \$24 an ounce from Wednesday's close in London. The metal opened at \$401.41 and traded between \$411.41 and \$411.41, and a low of \$407.47. Selling pressure developed during the afternoon as it fell below \$410 on a stronger dollar movement.

In Paris the 12 1/2 kilo bar was fixed at FF 106,500 per kilo (\$411.95 per ounce) in the afternoon compared with FF 106,500 (\$412.07) in the morning and FF 107,050 (\$413.15) on Wednesday. In Luxembourg the dollar per kilo bar at the fixing was \$410.65 from \$412.0.

EUROPEAN MARKETS

Wheat—(U.S. per tonne): U.S. Two Red Winter Oct 1983, Nov 1983, Dec 1983, Jan 1984, Feb 1984, Mar 1984, Apr 1984, May 1984, Jun 1984, Jul 1984, Aug 1984, Sep 1984, Oct 1984, Nov 1984, Dec 1984, Jan 1985, Feb 1985, Mar 1985, Apr 1985, May 1985, Jun 1985, Jul 1985, Aug 1985, Sep 1985, Oct 1985, Nov 1985, Dec 1985, Jan 1986, Feb 1986, Mar 1986, Apr 1986, May 1986, Jun 1986, Jul 1986, Aug 1986, Sep 1986, Oct 1986, Nov 1986, Dec 1986, Jan 1987, Feb 1987, Mar 1987, Apr 1987, May 1987, Jun 1987, Jul 1987, Aug 1987, Sep 1987, Oct 1987, Nov 1987, Dec 1987, Jan 1988, Feb 1988, Mar 1988, Apr 1988, May 1988, Jun 1988, Jul 1988, Aug 1988, Sep 1988, Oct 1988, Nov 1988, Dec 1988, Jan 1989, Feb 1989, Mar 1989, Apr 1989, May 1989, Jun 1989, Jul 1989, Aug 1989, Sep 1989, Oct 1989, Nov 1989, Dec 1989, Jan 1990, Feb 1990, Mar 1990, Apr 1990, May 1990, Jun 1990, Jul 1990, Aug 1990, Sep 1990, Oct 1990, Nov 1990, Dec 1990, Jan 1991, Feb 1991, Mar 1991, Apr 1991, May 1991, Jun 1991, Jul 1991, Aug 1991, Sep 1991, Oct 1991, Nov 1991, Dec 1991, Jan 1992, Feb 1992, Mar 1992, Apr 1992, May 1992, Jun 1992, Jul 1992, Aug 1992, Sep 1992, Oct 1992, Nov 1992, Dec 1992, Jan 1993, Feb 1993, Mar 1993, Apr 1993, May 1993, Jun 1993, Jul 1993, Aug 1993, Sep 1993, Oct 1993, Nov 1993, Dec 1993, Jan 1994, Feb 1994, Mar 1994, Apr 1994, May 1994, Jun 1994, Jul 1994, Aug 1994, Sep 1994, Oct 1994, Nov 1994, Dec 1994, Jan 1995, Feb 1995, Mar 1995, Apr 1995, May 1995, Jun 1995, Jul 1995, Aug 1995, Sep 1995, Oct 1995, Nov 1995, Dec 1995, Jan 1996, Feb 1996, Mar 1996, Apr 1996, May 1996, Jun 1996, Jul 1996, Aug 1996, Sep 1996, Oct 1996, Nov 1996, Dec 1996, Jan 1997, Feb 1997, Mar 1997, Apr 1997, May 1997, Jun 1997, Jul 1997, Aug 1997, Sep 1997, Oct 1997, Nov 1997, Dec 1997, Jan 1998, Feb 1998, Mar 1998, Apr 1998, May 1998, Jun 1998, Jul 1998, Aug 1998, Sep 1998, Oct 1998, Nov 1998, Dec 1998, Jan 1999, Feb 1999, Mar 1999, Apr 1999, May 1999, Jun 1999, Jul 1999, Aug 1999, Sep 1999, Oct 1999, Nov 1999, Dec 1999, Jan 2000, Feb 2000, Mar 2000, Apr 2000, May 2000, Jun 2000, Jul 2000, Aug 2000, Sep 2000, Oct 2000, Nov 2000, Dec 2000, Jan 2001, Feb 2001, Mar 2001, Apr 2001, May 2001, Jun 2001, Jul 2001, Aug 2001, Sep 2001, Oct 2001, Nov 2001, Dec 2001, Jan 2002, Feb 2002, Mar 2002, Apr 2002, May 2002, Jun 2002, Jul 2002, Aug 2002, Sep 2002, Oct 2002, Nov 2002, Dec 2002, Jan 2003, Feb 2003, Mar 2003, Apr 2003, May 2003, Jun 2003, Jul 2003, Aug 2003, Sep 2003, Oct 2003, Nov 2003, Dec 2003, Jan 2004, Feb 2004, Mar 2004, Apr 2004, May 2004, Jun 2004, Jul 2004, Aug 2004, Sep 2004, Oct 2004, Nov 2004, Dec 2004, Jan 2005, Feb 2005, Mar 2005, Apr 2005, May 2005, Jun 2005, Jul 2005, Aug 2005, Sep 2005, Oct 2005, Nov 2005, Dec 2005, Jan 2006, Feb 2006, Mar 2006, Apr 2006, May 2006, Jun 2006, Jul 2006, Aug 2006, Sep 2006, Oct 2006, Nov 2006, Dec 2006, Jan 2007, Feb 2007, Mar 2007, Apr 2007, May 2007, Jun 2007, Jul 2007, Aug 2007, Sep 2007, Oct 2007, Nov 2007, Dec 2007, Jan 2008, Feb 2008, Mar 2008, Apr 2008, May 2008, Jun 2008, Jul 2008, Aug 2008, Sep 2008, Oct 2008, Nov 2008, Dec 2008, Jan 2009, Feb 2009, Mar 2009, Apr 2009, May 2009, Jun 2009, Jul 2009, Aug 2009, Sep 2009, Oct 2009, Nov 2009, Dec 2009, Jan 2010, Feb 2010, Mar 2010, Apr 2010, May 2010, Jun 2010, Jul 2010, Aug 2010, Sep 2010, Oct 2010, Nov 2010, Dec 2010, Jan 2011, Feb 2011, Mar 2011, Apr 2011, May 2011, Jun 2011, Jul 2011, Aug 2011, Sep 2011, Oct 2011, Nov 2011, Dec 2011, Jan 2012, Feb 2012, Mar 2012, Apr 2012, May 2012, Jun 2012, Jul 2012, Aug 2012, Sep 2012, Oct 2012, Nov 2012, Dec 2012, Jan 2013, Feb 2013, Mar 2013, Apr 2013, May 2013, Jun 2013, Jul 2013, Aug 2013, Sep 2013, Oct 2013, Nov 2013, Dec 2013, Jan 2014, Feb 2014, Mar 2014, Apr 2014, May 2014, Jun 2014, Jul 2014, Aug 2014, Sep 2014, Oct 2014, Nov 2014, Dec 2014, Jan 2015, Feb 2015, Mar 2015, Apr 2015, May 2015, Jun 2015, Jul 2015, Aug 2015, Sep 2015, Oct 2015, Nov 2015, Dec 2015, Jan 2016, Feb 2016, Mar 2016, Apr 2016, May 2016, Jun 2016, Jul 2016, Aug 2016, Sep 2016, Oct 2016, Nov 2016, Dec 2016, Jan 2017, Feb 2017, Mar 2017, Apr 2017, May 2017, Jun 2017, Jul 2017, Aug 2017, Sep 2017, Oct 2017, Nov 2017, Dec 2017, Jan 2018, Feb 2018, Mar 2018, Apr 2018, May 2018, Jun 2018, Jul 2018, Aug 2018, Sep 2018, Oct 2018, Nov 2018, Dec 2018, Jan 2019, Feb 2019, Mar 2019, Apr 2019, May 2019, Jun 2019, Jul 2019, Aug 2019,

FINANCIAL TIMES SURVEY



Contenders in the market. Left to right: Freight Rover's Sherpa 250; the Renault R4, Europe's best-selling light van; Dodge 50-Series 5.6 tonner; Datsun Patrol Estate; and Volkswagen Transporter van.

Vans and Light Trucks

Japanese makers reach further

By Kenneth Gooding
Motor Industry Correspondent

EUROPEAN PRODUCERS of light commercial vehicles face a new threat from the Japanese who have grown in the past 10 years to dominate the business. Now they have won major market shares in most "neutral" — or non-vehicle-producing — countries, the Japanese are to tackle territories in Europe which one way or another place severe restrictions on the import of Japanese vehicles of all types.

Next year, two well-known European companies will begin production of light commercial vehicles heavily based on Japanese models and including about 20 per cent (by value) of Japanese components.

Nissan, Japan's second-largest vehicle group, will make its Vanette at the Motor Iberica plant in Spain. Nissan took control of Motor Iberica last year.

Meanwhile, in Britain, the

Bedford subsidiary of General Motors which is the biggest business of its kind in the world, is to start making a one-tonne van based on an Isuzu model. GM has a 34 per cent shareholding in Isuzu, smallest of the 10 Japanese vehicle groups.

By reaching a high level of European content, Bedford aims for 80 per cent and Nissan for 85 per cent by ex-factory value; both products should be able to skirt round the restrictions on Japanese imports to France, Italy and the UK.

It is tempting to view this approach as part of a "grand design" by the Japanese. But that is not the case. The Bedford project was masterminded by GM which intends to play a much more important part in the world commercial vehicle markets in future and has set up a world truck and bus division as part of that policy.

The division pulls together GM's commercial vehicle businesses in North America (Chevrolet, GMC, Detroit Diesel Allison) and those of GM do Brazil and Bedford in Europe. Isuzu is not part of the division but has special status as a potential supplier — of designs, components and sub-assemblies — and as a potential customer.

Another small Japanese company, Suzuki, in which GM has a 5 per cent stake, has been awarded similar status as GM struggles to find the right formula to design, engineer and produce commercial vehicle components on a world scale.

Among the first vehicles to emerge from this project at the end of the 1980s will be a re-

placement for Bedford's CF van. Meanwhile, GM has been searching for commercial vehicle products to give Bedford more volume and to generate more "floor traffic" at the dealer outlets.

This is where the one-tonne Japanese van comes in. GM has also been talking to Suzuki about the potential for doing a similar UK assembly job on one of the Japanese company's microvans.

To give itself more marketing power on the Continent, GM has set up a new distribution company, called Convesco and based near Russelsheim in West Germany. This company is jointly owned with Isuzu (GM has 51 per cent) and will distribute a range of Bedford and Isuzu vehicles. GM reckons that by combining the ranges the joint franchise will be more attractive and enable better dealers to be recruited.

In its attempt to get the best of all possible worlds, GM will have Bedford tackle alone those markets closed to Japanese products.

Output

GM will spend an initial £50m on Bedford's van lines at Luton and to re-engineer the Isuzu WFR one-tonne van to European specification. Production is scheduled to begin at the end of next year and 12,000 will be made in 1984, rising to an annual output of 20,000. Of this total, 10,000 will be exported and Bedford's marketing director, Mr Des Savage, has high hopes of success in France and Italy in particular

with the new "Bedford" van.

The concept was pioneered by BL, of course, with its Triumph Acclaim, a car based on Honda's Ballade but with an 80 per cent European content. After initial problems the Acclaim was given free access to Italy and France in spite of protests that the Japanese were creeping into those markets by the "back door."

Nissan's entry to the European commercial vehicle scene was far less a matter of careful planning. Certainly the Japanese group wanted to test the water by taking a minority interest in Iberica and got the opportunity when a 35 per cent shareholding came up for sale. Massey Ferguson, the financially troubled Canadian agricultural equipment concern, put the stake on the market and Nissan paid \$40m for it in January 1980.

Nissan, like other companies with interests in Spanish vehicle production, came under pressure from the Spanish Government to take control or get out. The Government hopes to push and prod the local vehicle

European producers face still more intense competition from Japan, in part because the Japanese themselves are moving West to become European producers

industry into a more healthy shape before Spain enters the EEC.

So, somewhat under duress, Nissan trumped up another \$21.5m last year to take its stake to 54.6 per cent and then took charge of the Iberica management. The cash was injected into Iberica because the shareholding increase was made by way of a rights issue.

Nissan always intended to enable Iberica to improve and expand its commercial vehicle range by making models based on Japanese products. In February this year the first Iberica-built Nissan Patrol, a four-wheel drive vehicle, came off the assembly line.

Annual production should reach 15,000 to 17,000 vehicles of which 8,000 to 10,000 will be exported. This compares with Iberica's output last year of 7,000 trucks, 10,000 vans and 11,000 agricultural tractors.

Nissan aims to achieve Japanese-style quality in its Spanish plants and for that reason the pace at which output of the Patrol has built up has been slow. As one Iberica execu-

tive commented: "We are taking time to adapt to Japanese technology. We know European ways of doing things, not the Japanese way. But after our experience with the Patrol, the start-up of the Vanette should be smoother and quicker."

In fact, the introduction of the Vanette, a vehicle similar to the one Bedford will make from the Isuzu design, has been delayed until the end of next year. Eventually Nissan expects to make about 7,000 Vanettes a year for Spain and another 8,000 to 10,000 for export.

Vanette exports will probably follow the example set by those of the Patrol which are to go to the UK, Sweden, Norway, Germany, Denmark, Holland, Belgium, France, Austria and probably Portugal and Greece. Significantly, Italy is the first country to be tackled. It will get the Patrol in September and the vehicle will be badged as the "Ebro Patrol." Ebro being the brand name on Iberica's own light commercials. In other export countries, however, the Nissan name will be used.

Access

Iberica is also benefitting from the Nissan connection by gaining access to the Japanese company's dealer network throughout Europe. In the UK and France the Ebro truck distribution franchise already has been switched to the Nissan importers.

However, both the GM and Nissan projects are examples of companies acting in isolation. The Japanese companies as a

group do not appear to have a strategic plan to enter closed European markets by means of local production.

Indeed, at the recent motor components conference sponsored by the Financial Times in Geneva, Prof Noritake Kobayashi insisted that Japanese vehicle manufacturers have no comprehensive strategy worked out for the setting up of production plants in other parts of the world.

Prof Kobayashi, a director of Toyo Kogyo — the Mazda group — and Professor of Business at Keio University Business School, revealed he had carried out a small survey of the Japanese vehicle groups to see where they might consider buying components and materials as they set up plants outside Japan.

He said: "My frank evaluation of many of the actions taken by members of the Japanese motor industry is that they are only reactive actions to meet immediate requirements rather than expressions of well thought out, long-term basic strategies."

The Japanese are aware of the need to develop a "grand design," said the professor, "but it will take some more time for any Japanese company in the auto industry to develop a comprehensive strategy in definitive terms."

Lack of a comprehensive strategy, however, has certainly not prevented the rapid rise of the Japanese as producers of vans and light trucks — a develop-

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ment which is having as profound an impact on world markets as the previous emergence of the Japanese car industry.

According to the Japanese Automobile Manufacturers Association (JAMA), 1.76m small commercial vehicles were produced in Japan last year as well as 1.2m "midsize" or micro-vans. To give this some perspective, output of vans up to 3.5 tonnes gross weight in the five major European vehicle production countries, France, Italy, the Netherlands, West Germany and the UK, last year was about 840,500.

What makes the Japanese performance even more awe-inspiring however, is that a whopping 78 per cent (1.38m) of the small commercials were

CONTINUED ON NEXT PAGE

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VANS AND LIGHT TRUCKS II

Buoyant market as demand moves ahead

THE U.K.

STRENGTHENING DEMAND from UK service industries, and from public utilities using up budgets under-spent thanks to lower than expected interest rates, is creating a buoyant UK market for light commercials this year.

By some industry estimates, the market for purpose-built vans of up to 3.5 tonnes gross weight could reach 125,000, a 7.5 per cent rise on 1982 and matching the record level of 1979.

Sales of smaller vans, derived from cars, are expected by Ford to reach 38,000, a 30 per cent rise on the 65,700 of last year. And given the trend of 1983's first four months, that expectation may prove pessimistic: sales were running at an annualised rate of 94,000 to the end of April.

Only trucks of between 3.5 and 7.5 tonnes continue in a downturn. However this reflects a polarisation in demand observed over the past few years: some buyers dropping below 3.5 tonnes to avoid operator licences; others moving up to just under the 7.5 tonnes threshold, above which Heavy Goods Vehicle licences are needed.

This tendency has led Ford to cease production after nearly 20 years of its "A" series trucks. It is filling the gap by offering extra long wheelbase versions of its Transit van (due in the next few months) and further downsizing its Cargo heavy truck—which can be done at relatively little cost—to just under 6 tonnes.

The revival of demand for light commercials has been good news for a UK industry still struggling to emerge from its worst recession for over 10 years (demand for heavy trucks is still stagnant).

No less important has been the disappearance of the Japanese as a major threat in the light commercial market.

In 1981, with Japanese imports having risen to a 25.6 per cent share, talks between the Society of Motor Manufacturers and Traders and its Japanese counterpart, JAMA, produced the extension to light commercials of the gentlemen's agreement restricting car sales to 11 per cent of the UK total.

The Japanese share dropped sharply last year as a result to

just over 9 per cent and up to the start of June this year stood at 11.7 per cent.

UK manufacturers were not as successful as they might have been in filling the gap. Certainly, Ford—thanks in part to a Transit model and price realignment in May 1982, aimed primarily at giving the Japanese an extra shove out of the door—has restored its share from 28 per cent then to 40 per cent but that reflects, too, last year's launch of its phenomenally successful P100 one-ton pick-up imported from South Africa. The P100 captured sales leadership of the pick-up market within two months of its launch and continues to strengthen its domination—3,275 were sold in the first five months of this year alone.

Faltering

BL's light commercials subsidiary, Freight Rover, has also made noticeable gains. In 1980, it seemed not long for this world: sales of Sherpa vans were faltering, it was over-manned and losing money—and was still part of the volume cars business.

By 1981, it had been moved under the Land Rover umbrella and a £200m investment programme was under way. An almost halving of the workforce to 1,200 helped lift productivity by a third. By August 1981, a rearranged Sherpa range was on the market and sales on the way up.

It was the intent of Karrier Motors, under whose name the Renault subsidiary operates, to assemble Renault Traffic and Master vans if sufficient orders could be captured from British Telecom. But the greatest share has gone to Freight Rover, and the prospect of UK assembly now looks remote.

Meanwhile, Talbot, Renault's 50-50 partner in Karrier, Renault's intends to acquire 90 per cent by the end of the year—compensating for the Spacevan's loss with the Talbot Express. However, this is in reality another imported

version of the Ducato range being built jointly by Talbot's parent Peugeot and Fiat sold also as the Peugeot J5 and Citroën C25.

The net effect is that Continental importers have also gained much ground. Their combined share of the purpose-built van sector has jumped from 11.5 per cent in 1981 to 18.5 per cent now.

A considerable factor has been the introduction of new models (Traffic Master, diesel and petrol, Bremen vans from Daimler-Benz and a revised LT range from Volkswagen). But it is by no means inevitable that the advance will continue, as a number of developments should strengthen the UK-based makers' position.

Most startling is Bedford's plans to expand its range with two light commercials based on Japanese products. One is a "microvan"—resembling a very small Transit, with 1-tonne payload and engine of under 1 litre the other a one-tonne panel van, of the type which had proved a big seller for Japanese importers.

The microvan would be based on a model from Suzuki, in which Bedford's parent General Motors has a 6 per cent stake; the other a panel van,

designated as the VFR, has a 34 per cent stake in Isuzu.

The idea is to have at least 80 per cent European content for both models, so that Bedford can sell them throughout Europe. Since they are—in theory—at any rate—complementary to Bedford's existing commercial range (Bedford's main panel van, the CF is larger, starting at 1.5 tonnes), the plan is consistent with GM's structured "world" commercial operation aiming to draw on its subsidiaries and associates to plug market gaps, as well as develop new joint commercial (the CF replacement is expected to be a "world" van, but is unlikely to appear before 1986).

The microvan is something of an enigma, however. Hitherto a uniquely Japanese product, its true potential in the UK was never tested. Sales began in the late 1970s, and had risen to 6.1 per cent of the market when the JAMA-SMMT curbs were imposed. Because they were cheap—under £2,000—it was inevitable that they would slip down importers' priority lists because profit per unit is small.

Whether a Bedford "micro" in unrestricted supply might hit sales of its popular Astra or other car-derived vans remains to be tested. Both Bedford and Ford think it unlikely. But a likely casualty would be Bedford's HA van, derived from a Vauxhall Viva model of the 1980s, output of which is down to about two an hour following the collapse of orders from public utilities.

The car-derived van sector is dominated by Ford, Austin Rover and Bedford. Imports currently account for 22 per cent, although nearly a quarter of that figure is accounted for by Ford, through imports of Spanish-built Fiesta vans.

Ford is just the market leader so far this year with 32.5 per cent against Austin Rover's 28.6 per cent. Bedford is strengthening third with 19.3 per cent.

Bedford's rising strength is due partly to the 1.6 litre diesel version of the engines powering its 40 per cent of the fleet of all Astra vans are now diesels. But Ford, too, should be able to widen sales of its Escort and Fiesta vans, as a

result of its own new 1.6 litre diesel—claimed to give up to 70 mpg—going into production at Dagenham in September.

Meanwhile, Austin Rover's launch of a van version of the Maestro within the next 12 months is certain to strengthen its own light van sales.

Back in the up to 3.5 tonne van market, Freight Rover next month will plug an important gap in its own range with the launch of the MT 210—a range of panel vans which will go up to 3.5 tonnes (the Sherpa stops at 2.3).

Ford's Transit, nearly 18 years old, remains the UK market leader by a huge margin in this sector (44,000 sales last year against second placed Freight Rover's 9,617). And it has kept this place despite Ford not having spent a penny, it says, on incentives since May 1982.

However, development of the Transit's successor—code-named Triton—is well advanced. Most industry observers would be surprised if it arrived any later than 1985. In the meantime, Ford plans some "freshening" of the Transit later this year, including an extra long wheelbase version to meet, at least in part, a growing challenge from extra-large vans being offered by Mercedes, Iveco and others in weights as high as 6 tonnes. (The emergence of these large vans was another factor in Ford's decision to abandon its "A" series trucks.) The Transit will still not go above 3.5 tonnes; what it will offer is the potential to carry a larger volume, rather than weight, of goods.

Priorities

Given the discounting chaos in the new car market, its relative absence from the light commercials sector might appear surprising. But buyers of such vehicles, particularly fleet operators, tend to be conservative, with priorities other than price. Ford's own market research ranks buyers' priorities, in descending order, as: reliability; fleet standardisation; appropriate sizes for needs; previous experience and reputation; spare parts availability; and only then, price.

This is in line with Daimler-Benz's stance when launching its diesel Bremen vans in the UK a couple of years ago, when Japanese sales were accelerating. It pointed out then that initial purchase price represents only about 40 per cent of whole-life costs.

It may be that pricing will loom larger. Daimler-Benz's van plants are operating well below capacity; Renault's Traffic and Master domestic sales face problems because of the French government's austerity package, so more stress is being put on exports.

The Peugeot-Fiat Ducato plant has added to Europe's capacity. Inevitably, there may be an increasing temptation to try to "buy" market share.

John Griffiths

Strategies vary in commanding huge market

FRANCE

VANS, or the "petits utilitaires" as the French like to call them, have long been a speciality of the French motor industry.

Between them, France's two large car companies, the state-owned Renault group and the private Peugeot-Citroën-Talbot group, account for a substantial share of the European market for light trucks and vans. In France, of course, they command the biggest share of the market.

In Europe, the two French companies traditionally have held about 35 per cent of the market, while in France they command about 80 per cent of the domestic market. Both companies have consolidated their positions in the van business during the past four years by bringing out new models designed to improve the competitiveness of their respective van and light trucks range.

But the strategies of the two French producers in this sector of the motor business differ considerably. Renault's approach from the beginning has been to transform itself into a supplier of a complete range of commercial vehicles, from very small vans to heavy duty trucks.

The state car concern has recently committed itself even more in the commercial vehicle business by agreeing to acquire control of Mack Trucks of the U.S. from the Signal Corporation. At the light end of the commercial vehicles market, Renault filled what holes were left in its line by bringing out the Traffic and the Master. The Traffic filled the gap in the 2.5 tonne range while the Master filled the hole in the 3.5 to 4.5 tonne range.

For Renault, the commercial vehicles business forms an integral part of the company's overall industrial strategy. By contrast, the Peugeot group regards the commercial vehicles business as marginal to its overall strategy.

Indeed, Peugeot is currently considering moving out of the truck business it inherited in Europe when it acquired the European operations of Chrysler.

However, the private car company says it is committed to the light trucks and vans business although it views the van as a spin-off from its traditional passenger car activities. M. Jean-Paul Parayre, chairman of the Peugeot group, said recently he was interested in perhaps expanding Peugeot's presence at the light end of the commercial vehicles business. This would involve vehicles of up to about three tonnes. He made it clear, however, that he was not interested in expanding Peugeot's activities in heavier parts of the truck market.

Moreover, Peugeot, unlike Renault, has decided not to go it alone in the light vans and trucks business. Because it felt the overall market itself did not justify large-scale industrial investment, Peugeot negotiated a joint venture with the Fiat group of Italy to produce light trucks and vans.

The venture led to the construction of a modern plant at Val di Sangro in Southern Italy, near the town of Pescara, which

was officially opened at the end of November 1981. The plant has capacity to produce 350 trucks a day. The vans are in the 2.5 tonne range. Fiat markets its vans under the Ducato name while Peugeot calls the identical van the J5 and Citroën calls it the C25.

The Val di Sangro joint venture has become regarded as one of the more successful examples of the kind of co-operation possible between European motor manufacturers to achieve economies of scale in specific sectors.

Collaboration at a more substantial level is now generally ruled out as wishful thinking, especially after the failures of recent years due largely to either nationalistic policies or to clashing market aspirations, both of which have had protective parties. In the case of Val di Sangro, the joint venture meets Peugeot's demands largely directed towards its own domestic market. France while satisfying Fiat's needs for its own home market.

Pressure

Peugeot clearly was under some pressure to enhance its line of small trucks and vans if it were to keep up with Renault on its home turf. Indeed, until Renault came out with the Traffic and the Master, Peugeot had a large penetration of the French market than its state-owned rival. Peugeot's share of the French vans market between 1977, 1978 and 1979 was respectively 45 per cent, 47 per cent and 44 per cent, while for the same three years the market share of Renault was 43.5 per cent, 40.5 per cent and 40.1 per cent.

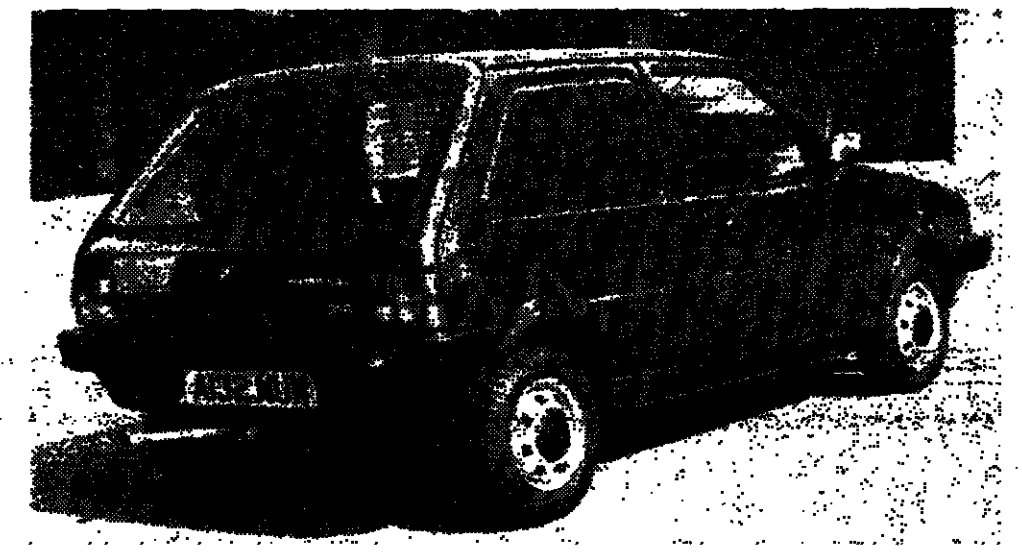
Renault subsequently overtook Peugeot in 1980, taking 41.7 per cent of the French market compared with 40.3 per cent for Peugeot rising to 47.9 per cent in 1981 compared with 34 per cent only for Peugeot in 1981.

The dramatic increase in 1980 and 1981 reflects the launch of Renault's new Traffic and Master models. Peugeot, however, has now reduced this imbalance in part by marketing its new vans produced in Italy. Last year, the Peugeot group sold 11,940 J5-vans and a further 10,720 C25 vans in France, representing between them nearly half of the 45,000 vans the Peugeot group sold in France last year.

Although the general outlook for French industry this year is depressed, with fears that our sales in particular could slow significantly in the autumn, the prospects for vans and light trucks appear a little better. In the case of cars, the French manufacturers' worry that the government's latest austerity measures will further reduce consumer spending in France. But they also acknowledge that more new customers might be tempted to buy a small van rather than a car.

The reason is quite simply that Value Added Tax on passenger cars in France is a whopping 33.3 per cent while VAT on vans is 17.6 per cent. At least a good number of French companies have bought vans for their salesmen or representatives to take advantage of the lower VAT rate.

Paul Betts



Austin Rover's Metro van, which will be joined by a van version of the Maestro

Caution as recovery begins

W. GERMANY

VOLKSWAGEN BELIEVES it may have reintroduced short-time working at its commercial vehicle plant in Hannover later this year. It also recently offered redundancy pay to workers prepared to quit their jobs at the factory.

On the other hand, however, VW has nipped up an increase in deliveries of commercial vehicles to customers in West Germany in the first seven months of this year.

These developments illustrate some aspects of the small trucks and vans market in West Germany, where there is at the moment a mixture of hopeful and depressing signs. In these circumstances, manufacturers and industry representatives are cautious about making forecasts for the future.

Production of commercial vehicles in the lighter classes—up to a total permissible weight of six tonnes—has begun to pick up in West Germany after dropping to a disastrous low level. From a peak of 187,230 such vehicles in 1980, output sagged 22.8 per cent in 1981 to 144,540. The decline slowed to a rate of 5.3 per cent in 1982 with output slipping to 136,180.

However, lumping all domestic producers together, a recovery in output has been noticeable since late last year. In the first seven months of this year, production reached 54,026, an increase of 7.2 per cent on the corresponding period last year.

Similarly, sales of vans and light trucks within West Germany have also begun to show signs of recovery, after a sharp fall.

New registrations in the classes to six tonnes, which had reached 85,500 in 1980, fell 13 per cent to 83,120 in 1981. The decline in registrations actually accelerated last year as recession deepened, falling 18 per cent to 68,130.

However, in the first half of this year registrations were 9.4 per cent up on the same period last year, reaching 39,970.

The production and domestic sales figures seem to give some cause for optimism—in contrast to the sharp fall in production of larger trucks, which face declining orders from all producing countries. However,

industry representatives point out that the setback of the past two years has been extremely sharp and any improvement is still only moderate.

A lot will depend on whether economic recovery can gather pace in West Germany and whether export markets can improve. They believe it is still too early to speak of a sustained recovery in the West German market for small commercial vehicles.

The overall statistics also

The Japanese have boosted their hold on the West German market in the classes to six tonnes from 4.8 per cent in 1981 to about 10 per cent now. The French manufacturers, who have much smaller shares, have made slight headway, while Ford, which has had about 11 per cent, has yielded ground lately.

In these circumstances, VW's commercial vehicles operation is giving it severe headaches. Production is running below the

heavier LT models—VW puts its market share between January and June at 43.9 per cent, only a little lower than the 44.5 per cent share a year earlier.

Short-time working has been a regular feature of life at the Hannover plant, which employs more than 20,000 workers. Under an agreement on working arrangements, the company could not bring in further short-time working during the three months July-September,

but says that it cannot be ruled out later this year.

As part of a bid to scale down manufacturing levels, VW recently offered "mobility" to 18,000 workers prepared to leave their jobs. About 600 workers accepted the offer.

The company has taken other steps to improve its position, including technological measures. It has introduced new engines in a bid to provide better performance, more fuel efficiency and sought lower noise levels. It has brought new models to the market to fill gaps in its range—the Caddy, with a gross weight of 1.6 tonnes, and the LT-50, at the heavier end of the range, with a gross weight of 5 tonnes. It is also building up its marketing and servicing activities for commercial vehicles, separately from passenger car activities.

Meanwhile, Daimler-Benz, which has managed to avoid short-time working in its operations, has recorded a 6.9 per cent increase in production of commercial vehicles up to 6 tonnes in the first half of this year. Its new registrations within Germany edged slightly ahead to 15,210, compared with 15,100 in the same period last year.

Exports of Daimler-Benz light commercial vehicles in the first half of the year were up 8.4 per cent at 17,768. Sales showed a relatively big increase in

Britain and France, but fell in the Netherlands and Italy.

Daimler-Benz has been less vulnerable to import competition and has retained a market share of around 22 per cent in the combined classes to six tonnes, although its share is much greater at the heavier end of the range. It is in the process of transferring light commercial vehicle production from Bremen to Düsseldorf, a project which may be completed by the middle of next year.

Bremen is to become a second car assembly operation, in addition to its works near Stuttgart.

Daimler-Benz and VW—as well as Ford—believe that one of their strengths is the ability to offer a wide range of varieties of commercial vehicles, built or adapted to suit the specific needs of various types of user. Although the Japanese cannot match such variety, they are steadily building up the number of models on offer in West Germany and in other European markets.

Nissan, for instance, recently introduced its Vanette, with a four-cylinder 1.5 litre engine, in two versions—as a small bus with seven seats and as a transporter. It is joining Mitsubishi and Toyota in the sector of the market where there had once been a gap, namely between passenger car/Kombis and the lightest VW transporters.

General Motors is currently putting its weight behind a market drive in Europe, including West Germany, for Japanese light commercial vehicles—Isuzu models under 3.5 tonnes gross weight.

Dealers in GM's Opel network are being enlisted to help market the vehicles made by Isuzu, in which GM has a significant stake.

Opel is already involved in a commercial vehicle operation of its own in West Germany, lifting output from 6,490 in 1981 to 9,640 in 1982. The vehicles are virtually entirely for export markets, although its share is also building up in the domestic market.

With the West German economy showing some signs of moderate recovery, local producers of vans and light trucks are anxiously eyeing the economic indicators for signs of a sustained upswing. At the same time, it is clear that importers are also poised to take advantage of any improvement in market conditions.

John Davies

	1981	% change from previous year	1982	% change from previous year	1983 (Jan-June)	% change on 1982
Lightweight (up to 6 tonnes)	144,540	-22.8	136,175	-5.8	79,075	-41.9
Medium weight (6 to 12 tonnes)	54,067	-9.9	53,368	-1.2	24,217	-55.5
Heavyweight (over 12 tonnes)	73,927	+9.0	67,790	-8.3	29,299	-56.3
Total (all classes)	272,474	-13.5	257,333	-5.5	132,591	-48.6

Source: West German Automobile Industry Association (VDA).

mask the varied fortunes of individual producers. Volkswagen, for example, still has agonising problems, aggravated by growing competition—at home and abroad—from the Japanese. Daimler-Benz, on the other hand, while restrained in its assessment of the situation, conveys a less troubled image.

VW's commercial vehicles are mainly at the lighter end of the small truck and van market, has borne the brunt of the pressure from imports, which also tend to be on the smaller varieties.

In the past few years the number of imported models has mushroomed. After concentrating earlier on the car market, the Japanese have moved into the German small truck and van market with methodical determination. Toyota, Suzuki, Nissan, Mitsubishi and Daihatsu are all seeking to build up market niches which together amount to a sizeable share of total sales. The French and Italian manufacturers are also making inroads, with Renault, Citroën and Fiat all enthusiastically pushing commercial vehicle sales.

As a result, VW has steadily lost some of its market share in the past few years, while the imported models have gained ground. At the moment, however, VW claims to be in general holding its market share.

level a year ago and well below capacity.

Volkswagen has made gains in domestic sales this year, but the recovery is from such a deep trough that it judges the position as still very unsatisfactory. VW's main light commercial vehicles, the Type 2 Transporters, notched up a 5.9 per cent increase in deliveries to customers within Germany in the first seven months of this year, compared with the same period last year.

Sales of the heavier LT classes, over 2.8 tonnes, were up 9.4 per cent. Taking account of the new Caddy—produced in Yugoslavia—total deliveries to customers in West Germany reached 39,644, up 18.6 per cent on a year earlier.

However, the domestic gains were more than offset by a 21 per cent decline in exports, to just over 41,400. Deliveries to customers in other European markets fell 15.5 per cent to 31,510. Deliveries in the U.S. on the other hand, rose by 15.1 per cent to 8,720 as the American market picked up, but the recovery is nevertheless from a sharply contracted level.

VW cites various reasons for its problems, but especially poor demand at home and abroad, rather than pressure on its market share. Taking all its light vehicles together—the Caddy, the Type 2 and the

but says that it cannot be ruled out later this year.

As part of a bid to scale down manufacturing levels, VW recently offered "mobility" to 18,000 workers prepared to leave their jobs. About 600 workers accepted the offer.

The company has taken other steps to improve its position, including technological measures. It has introduced new engines in a bid to provide better performance, more fuel efficiency and sought lower noise levels. It has brought new models to the market to fill gaps in its range—the Caddy, with a gross weight of 1.6 tonnes, and the LT-50, at the heavier end of the range, with a gross weight of 5 tonnes. It is also building up its marketing and servicing activities for commercial vehicles, separately from passenger car activities.

Meanwhile, Daimler-Benz, which has managed to avoid short-time working in its operations, has recorded a 6.9 per cent increase in production of commercial vehicles up to 6 tonnes in the first half of this year. Its new registrations within Germany edged slightly ahead to 15,210, compared with 15,100 in the same period last year.

Exports of Daimler-Benz light commercial vehicles in the first half of the year were up 8.4 per cent at 17,768. Sales showed a relatively big increase in

Japanese reach further

CONTINUED FROM PREVIOUS PAGE

exported. (The microvans are so peculiarly designed to suit Japanese conditions—and are so relatively low in value—that very few are exported. Only 60,000 were shipped out from Japan in 1982).

With North American exports of light commercials practically non-existent, the European makers were bound to suffer more as Japanese exports of light commercials doubled during the past ten years.

The Europeans found themselves priced out of the markets on Japan's doorstep and severely squeezed in "neutral" markets nearer home.

To give some examples: Since 1979 the Japanese share of the light commercial vehicle market (excluding car-derived vans and microvans) in Austria jumped from 5 to over 23 per cent; from 20 to 37 per cent in Belgium; and from 17 to 39 per cent in Switzerland.

But in most of the major European markets, the Japanese have found their way barred by protectionist measures. France and Italy exclude Japanese vehicles of all types except for a minimal number (up to 3,000 in Italy and up to 3 per cent in France).

After a brief, but very steep, rise in Britain, light commercials were linked with the restraint on car shipments and the Japanese share of the light

commercial market has fallen back from 26 per cent in 1981 to 11.5 per cent.

Among the main vehicle producers, only West Germany has followed an "open-door" policy, and the Volkswagen group has certainly suffered as a result.

As the Japanese share of the market for commercials between 1.2 and 3.5 tonnes jumped from 4.5 per cent in 1980 to 15 per cent in the early part of this year, Volkswagen's penetration of its home market fell from 52 to 46 per cent.

Of course, VW has had to contend with competition from the European groups, too, because there has been considerable activity in the sector.

Iveco, the Fiat subsidiary, introduced the Daily van and more recently the Ducato van made in Southern Italy at a plant jointly owned with the Peugeot-Citroën-Talbot group. The same van is sold as the Peugeot J5, the Citroën C15 and the Talbot Express.

Renault has launched its Traffic-Master van range specifically design to appeal to a wide cross-section of European markets.

In Britain BL has invested in its Sherpa van business and improved the product range. All these new vehicles—including VW's replacement for the Transporter and Daimler-Benz's new Bremen van—will

only intensify competition in Europe this year at a time when demand is likely to be below the 1982 level.

For example, in its latest European Trucks Forecast Report, DRI Europe says: "The exception to the improving European demand (for commercial vehicles) picture is again the light sector."

As the consumer cycle has lagged the recession in industrial activity, van sales held up longer—especially in France and Italy. The downturn in these two large markets will cause a contraction of sales this year, though modest growth will be achieved thereafter."

The low-demand phenomenon has not been confined to Europe. The recession has cut sales world-wide. As the major producers of light commercials the Japanese have not been able to escape the consequences. Japanese output of light commercials last year (excluding the microvans) dropped 10 per cent from 1.99m in 1981. Exports fell even more sharply, by nearly 15 per cent to 1.57m.

Output and exports fell yet again in the first quarter of 1983 so the European light commercial vehicle manufacturers can at least console themselves with the knowledge that the Japanese are feeling the pinch just as much as they are during this painful period for the industry.

BIG, TOUGH, MEAN & MAGIC.



The Daily is unquestionably one of the best-looking vehicles of its kind on the market.

But buying a Daily is not about looks. It's about hard, competitive facts.

The Daily is simply the best all-rounder in its class.

BIG: The Daily's big on internal volume and load length. The 35 range standard and high roof panel vans offer more volume than any equivalent model in the Transit, Bedford CF, VW LT, Renault Master and Mercedes ranges. With up to a massive 424 cubic feet of practical, usable volume, you also get an internal length of more than 11.5 feet for those extra long and awkward loads.

And no directly comparable high roof model from these manufacturers can

top The Daily's 6' 2", accessed through full-height rear doors. There's even a sliding side door, too.

The Daily 30.9 panel van takes a heavier payload than the Mercedes 210, the Bedford CF280, the Transit 130 and the Talbot Express 1300. And, of course, it's light enough to avoid plating and testing.

TOUGH: where others use integral construction, The Daily is built on a tougher, truck-like chassis. In chassis cab form it is the ideal base for special bodies, particularly for use in the construction industry.

MEAN: despite its rugged construction, The Daily, available in petrol and diesel versions, is light on fuel. When Commercial Motor* tested The Daily, it proved consistently meaner than their benchmark

Operating Cost figures for vehicles in its class. The 35.8 Daily diesel, for example, gave 30.25 mpg unladen and 25.96 mpg laden. That's better than the Bedford CF250, which offers nearly one third less capacity and payload than The Daily.

Can you beat that?

MAGIC: The Daily's a wizard for manoeuvrability. Nothing in its class turns tighter circles. So it's magic when it comes to quick delivery times and turnround. The Daily drives like a car, too. Test drive one and you'll experience standards of interior design 'more appropriate in a Swedish car' (Garage & Transport).

That's why we say that nothing stacks up against The Daily.

But if these figures don't convince

you, make some direct price comparisons.

The Daily is less expensive across the board than any equivalent vehicle from the Transit and Mercedes light van ranges.

And that's just on the purchase price. The real savings go on for years!

Contact your IVECO dealer and ask him how much you'll save when you change to a Daily.

The Daily

Nothing stacks up against it

*Commercial Motor: All comparisons obtained from published material. Payload figures include driver.

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VANS AND LIGHT TRUCKS IV

New range increases Fiat domination

ITALY

FIAT these days is a company on the mend, and that is as true for its light commercial vehicle and truck operations as it is for cars, for which the Turin group is best known.

As might be expected, Fiat comfortably dominates the light commercial sector in Italy, thanks in good part to its extensive distribution network and entrenched influence. But now a third ingredient makes the combination even more formidable — the Ducato range of vans.

Production of the Ducato has been in progress for less than two years at the computerised and highly automated plant of the Sevel company, jointly owned by Fiat and by the French Peugeot Citroën group. It is sited in the valley of the river Sangro running inland from the Adriatic coast south of Pescara.

Transformed

Results so far, according to Sig Bruno Schenbardi, head of the commercial vehicles domestic sales division of Fiat Auto, the car subsidiary of the Fiat group, have exceeded every hope.

Total capacity of the plant, which represents an investment of £250m (£147m) and 3,500 new jobs, is 80,000 vehicles a year. Part of the output will be sold in France under the Peugeot and Citroën names, but the rest will be sold in Italy along the Ducato range, which has transformed the key middle sector of the market in which it operates.

Between 1981 and 1982, Fiat's share of the market for such vehicles, with a load capacity of about 1.5 tonnes, leapt from 26.7 per cent to 50.1 per cent. In the first two months of 1983, that figure rose to 57 per cent — mainly at the expense of models traditionally strong in Italy, such as the Bedford range and the Ford Transit, both of them manufactured in the UK.

If this trend is maintained through the year, sales of the Ducato in Italy might exceed the figure of 26,580 achieved in 1982, despite the likelihood of a contraction in the market as a whole, while the economy remains flat.

Fiat claims that the vehicle's success is due to the quality of its finish at what is said to be Europe's most advanced production plant, and to the range of models available. In fact, there are a total of 80 versions of the five main Fiat contenders in the commercial vehicle market: the Marengo, the Fiorino, the 900E (the last two derived from the popular 127 car), the Ducato, and the Fiat 242.

Perhaps the most telling blow has been the advent of the diesel version of the Ducato, tailor-made to take advantage of the widespread price advantage of diesel fuel over petrol, which is still the case in key North European markets such as France, Bel-

gium and Holland. Only this year will the Ducato become fully available throughout Europe, but Fiat executives expect "significant improvements" in market shares as a result.

What is true of the Ducato is equally true of the Fiorino. Already its range of pick-ups, vans, and multi-purpose models had given it a powerful dominance of its sector in Italy (Fiat has regularly claimed over 80 per cent of total domestic sales in the 500 kg load class). Now, like its 127 car cousin, it has added a diesel version to its range, increasing its appeal both in Italy and for export.

Elsewhere in the commercial vehicle market, Fiat's pre-eminence in Italy is less absolute: in the 1.5 to 1.8 tonne load class, the 242 E new van unit, for example, has 40,270 in 1981 to 31,960 in 1982, while its market share dropped almost 10 percentage points. But there were signs of a recovery in the early part of this year.

In any case, figures released by Fiat show a steady increase in its share of the market which has virtually doubled since 1973. The company captured 43.5 per cent of last year's total of 111,290 units, and hopes to lift that to over 50 per cent in 1983. Exactly as for its car division, however, sales are crucial: of Fiat's total European sales of 80,000 light commercial vehicles in 1982, two-thirds were achieved within Italy itself.

The Fiat Auto commercial vehicle range merges into the smaller models produced by Iveco, the separate industrial vehicle subsidiary of Fiat SpA, the group holding company. These are basically the Daily series of light trucks with a payload capacity of between 1.5 and 2.5 tonnes, and the Gdella range produced by the OM division of Iveco.

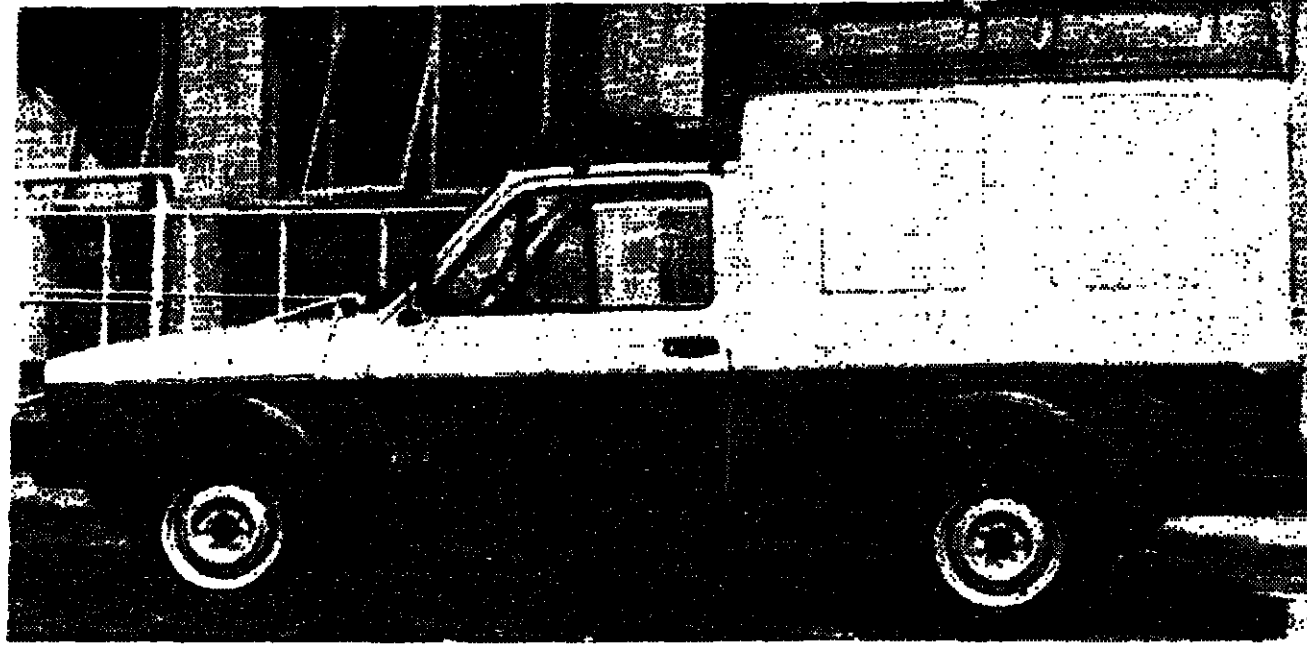
Shrinking

The sector has been hit by the static economic conditions throughout Europe; but it was a small consolidation for Iveco to incur — albeit narrowly — its share of a shrinking sector to 64.4 per cent from 63.4 per cent.

Fiat obviously accounts for by far the greatest share of Italy's total output of vans and light trucks, but Alfa Romeo, the State-owned car manufacturer, retains a tiny interest in the sector through its subsidiary Arveco, based at Pomigliano d'Arce, close to Naples. In 1981, Arveco experienced a wretched year, as only 1,300 of its LR-S and F-12 models were sold, and its 1,700 workforce suffered heavy layoffs.

In 1982, the picture was even bleaker. Sales slipped by value to £13m (\$51m) from £18m the previous year, and in units to 1,100 from 1,300. The company, however, the Arveco division reported a small profit of £16m, compared with £13m in 1981.

Rupert Cornwell



Fiat's Fiorino Special. The company comfortably dominates Italy's light commercials, due partly to its extensive dealer net.

SPAIN'S PRODUCTION, SALES AND EXPORTS

	Vans			Light lorries		
	1981	1982	%	1981	1982	%
Enasa/Pegase	3,930	2,662	-32	3,942	2,254	-43
Mercedes	12,222	10,474	-14	3,084	8,706	+185
Motor Iberica	11,147	8,789	-21	9,535	8,042	-16
Total	27,299	21,924	-20	22,461	20,002	-11

† Between 3.5 and 9 tonnes maximum authorised weight.

Source: Based on figures from National Car and Truck Manufacturers Association (ANFAC).

Export boost revives flagging demand

SPAIN

SPAIN, WHICH has continued to attract foreign investment in the motor industry, is girding itself for battle in the EEC in the late 1980s. But it has one division that already appears less equipped for the fray than the others, and that is the light commercial vehicle sector.

Unlike passenger cars, where a fragile recovery last year has been carried forward by the build-up of production at General Motors' hyper-efficient new plant at Zaragoza, and unlike the heavier vehicle sector, where a weak home market has been offset by a \$10m-plus export contract with Egypt, the intermediate range of vehicles provides few sources of encouragement.

This sector, like the others, is now settling down in its new shape after a far-reaching reorganisation. Since the start of the decade, Spain's motor industry has been through a series of withdrawals and new arrivals, altering the balance between Spanish state, private and foreign interests.

There has been Fiat's pull-out from a 50-year partnership and share holding role in the car producer Seat; Massey-Ferguson's withdrawal from a minority position in the tractor and utility vehicle manufacturer Motor Iberica; and International Harvester's pull-out from what was shaping up as a takeover of the lorry and bus group Enasa.

Into the breach has come Volkswagen, in an agreement with the now fully state-owned Seat; General Motors, whose arrival brings to six the number of major car producers in Spain;

Daimler-Benz, building up its stake in what is now Mercedes-Benz de España; and — the first Japanese arrival — Nissan, which took Massey-Ferguson's place and has progressively been increasing its stake in Motor Iberica to more than 60 per cent.

The shake-up leaves the car and commercial vehicle sectors basically separate as before. It happens that, as a general rule, deficit.

Enasa/Pegase, which is now under full control of the state holding company INI, it makes alongside its armoured vehicle production at Valladolid, two basic kinds of J4 vans, of 800kg and 1,100 kg capacity, in various different versions from pick-up to micro-bus. Formerly known by the name of Sava, these are now marketed under the Pegase label.

Enasa also makes three types of light lorries ranging from three to seven tonnes maximum authorised weight. But it is more interested in the business of heavy trucks and buses, where it is dominant.

Mercedes-Benz de España is controlled by the West German group with INI as minority partner. With plants in the Basque country and Barcelona, it similarly has a small range of light trucks and, until recently, has been the country's biggest producer of vans, making the MB 100, 130, 150 and 170.

Motor Iberica, which rather curiously began life under the title of Ford Motor Company in Cadiz, but has long since moved to Barcelona, and came under Japanese control. In the first quarter of this year, it took over Mercedes' position among van manufacturers, thanks

mainly to a boost in exports as Mercedes dropped back. It has only limited output of heavy lorries, but holds about three quarters of the light truck sector.

Last year, Motor Iberica managed to increase its overall production of light lorries in the 3.5 tonne to nine tonne weight range and its sales of these in the Spanish market. This offset sharp falls at the other two companies to keep Spanish output in line with 1981, although exports in this sector fell back 18 per cent to a mere 570 vehicles.

In the first three months of this year, however, although Motor Iberica managed to export more than 300 light trucks, overall production was 9 per cent down on the same period a year ago and Enasa was the only company to raise its output.

For vans, the trend is weaker still, and has been since 1977. Since then, sales on the domestic market have dropped about 40 per cent. Last year both the home and export markets shrank by about 11 per cent and Spanish output was 20 per cent down at below 22,000 vehicles.

Figures for the first quarter of this year show output almost level at last year's rate but only because of high exports in Motor Iberica's F275 and F350 categories, including a knocked-down version of the former.

The latter's range of Ebro vehicles is due to receive an addition next year in the form of Nissan's Vanette, for which a new Nissan-designed engine is due to be produced. Originally to have been introduced this year, the same year as the Nissan Patrol, this is the only real novelty in the offing.

David White

Midget vans setting the trend

JAPAN

JAPAN'S DOMESTIC market for vans and light trucks has been expanded in the last few years by the birth of a new type of vehicle — the "midget" van with a 550 cc engine. The Suzuki Alto was the first of this new class, which has since experienced what one official at the Japan Automobile Manufacturers Association (JAMA) calls an "explosive growth in demand."

Other vans of the same class are the Daihatsu Mira, the Subaru Minivan (manufactured by Fuji Heavy Industries) and the Mitsubishi Minicab. Between these, four other vehicles have contributed much of the growth in the "light van" sector of the Japanese motor industry in recent years.

Production of midget vans has climbed from 52,000 vehicles in 1977 to 100,000 units by last year, half the light vans total, according to JAMA.

The four different models of 550 cc midget vans which are now on sale in Japan have roughly similar specifications and prices. Each can carry up to four passengers with a total payload of 350 kg. Fuel consumption works out at about 26 kilometres to the litre (140 mpg) and prices tend to be below ¥500,000 (\$2,030).

A special attraction of midget vans is the fact that tax and insurance rates for vehicles of 550 cc or below are well below those on larger vehicles.

Low purchase prices and low running costs have made the "midgets" popular as second cars in families where the husband uses the first car to go to work. Their popularity also reflects the fact that the number of driving licences held by women has been rising extremely fast in Japan during the past few years.

Because the tax and insurance concessions available to women have been rising, they do not apply in overseas markets, the vans are not yet being exported to any great extent. However, three out of the four manufacturers have begun exporting vehicles in

which a larger engine is mounted in the same body. Suzuki's export version of its Alto midget is fitted with an 800 cc engine for overseas markets and has sold well in South East Asia and Pakistan as the SS 80. Fuji Heavy Industries and Daihatsu have also exported updated versions of their midget vans. Mitsubishi exports Minicab kits to a handful of overseas markets including Taiwan but has yet to start shipments of built-up vehicles.

Japanese mini and midget vans have not yet begun selling in the U.S. and have made an impact in only a few European markets. A European

PRODUCTION OF LIGHT VANS (including midgets)	
	Units
1979	592,150
1980	667,970
1981	826,790
1982	836,660

Source: JAMA

country in which Suzuki claims highly successful sales for the SS 80 is the Netherlands.

JAMA officials believe that Japan's "uprated" midget vans have no precise equivalent anywhere else in the world in terms of price and performance. They admit, however, that the BL Mini-metro van and some of Fiat's smallest van-type vehicles come close.

Outside the midget sector of the market, demand for trucks has been relatively stable in Japan recently. The main users of such vehicles, small businesses and construction companies, have felt the impact of recession more strongly than larger companies in the past 18 months.

Private demand, however, has increased sales of what JAMA calls "cab-over" type vans (vans in which the driver's seat is located over the engine). These have grown at the expense of the traditional "light van" which in Japan is merely an estate version of a passenger car registered as a commercial vehicle.

Charles Smith



Suzuki's ST90 midget van. Low purchase prices and running costs have made these vehicles very popular as second cars but they are not exported to any great extent because Japan's concessions, tax and insurance, do not apply in overseas markets.

Car-derived vans—a sector dominated by France—still are generally produced for national markets, as Kenneth Gooding reports

Volumes and demand stay relatively low

IN MOST SECTORS of Western Europe's commercial vehicle market over the past few years "European" products have been developed by the manufacturers — products capable of breaking down the old national boundaries and finding favour throughout the area.

However, the car-derived van has bucked this trend. Partly this is because demand for this type of vehicle from one European country to another varies tremendously. West Germany buys hardly any, yet France represents the biggest market in Europe.

Economies

Another reason is that, because they are based on car components, manufacturers already have considerable economies of scale even if the product is sold mainly in one market. There is no urgent need to spread the development cost across sales in all the European markets.

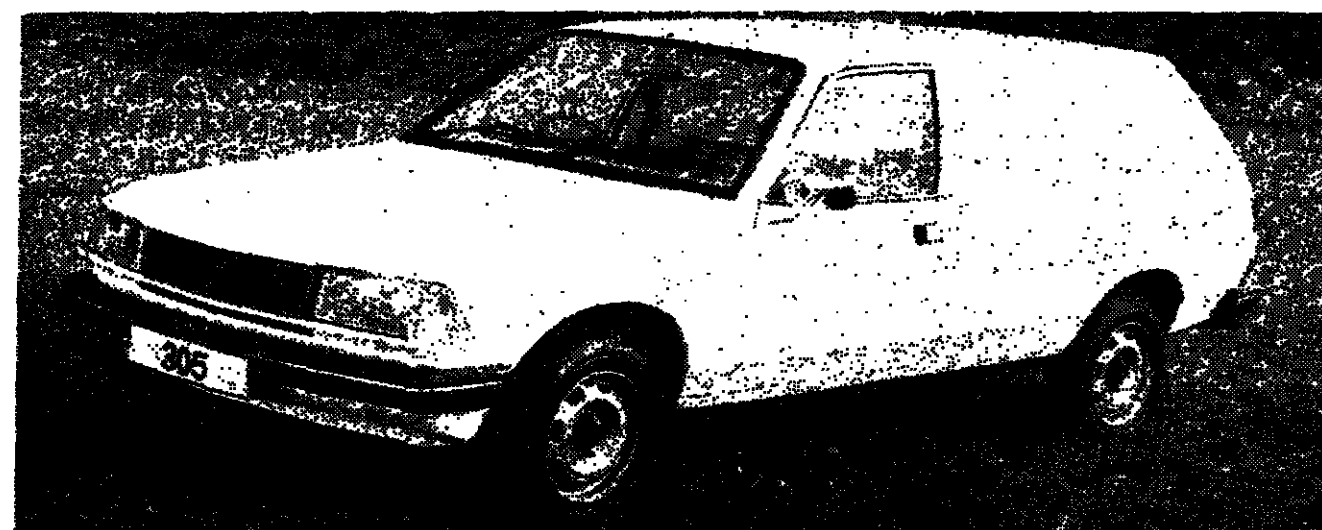
However, by car standards the volumes are still relatively small and manufacturers prefer to keep car-derived van production limited to one plant even

though the model from which the van is derived might be assembled in two or three facilities. Thus Ford produces the Fiesta van only at its Valencia plant in Spain even though the major market for the vehicle happens to be in Britain.

In Europe, the car-derived van business is dominated by France which normally accounts for 40 per cent of total annual sales of this type of commercial. Last year, for example, 182,000 car-derived vans were registered in France out of a European total of 398,000 — a figure which also takes in sales of the car-derived van's nearest rival, the microvan.

As a result, France produces Europe's best-selling commercial vehicle because Renault says that output of its R4 van last year was just over 121,600, putting it ahead of Ford Transit production totalling 98,700 in 1982.

It remains to be seen just how big an impact the austerity programme introduced by the French Government will have on economic activity in that country and how depressed the car and car-derived van business will become.



The Peugeot 305 van. Economies of scale by which manufacturers can produce car-derived vans make it less necessary to sell them in other countries.

Ford estimates, however, that demand for car-derived vans in France this year will drop to about 180,000 but the company readily admits it is considering whether it should revise the forecast downwards.

There have been suggestions that the French market for car-derived vans has remained comparatively high compared with the rest of Europe partly because the country lacked modern purpose-built, home-grown panel vans.

This has been put right recently with the advent of Renault's Trafic-Master range and the availability of the joint Fiat-PSA group van, sold in France as the Peugeot J5 and the Citroën C25. The industry

is watching carefully to see how much business these purpose-built vehicles take away from the car-derived ones.

Price will be a major factor because France's huge demand for light commercials springs from its agriculture-based economy. Farmers are often more interested in buying a vehicle which will do an adequate job for a reasonable front-end price rather than buying something more modern and sophisticated.

France will remain the major element in European demand for commercial vehicles of up to 1.2 tonnes gross (that is car-derived vans and microvans) whenever happens to sales there this year. According to Ford forecasts,

demand for these vehicles in Western Europe (15 countries with Greece being the only major exclusion) should rise this year to 402,000, up from 398,000 in 1982 and 394,000 the previous year.

Like many other manufacturers, Ford includes figures for microvans along with those for car-derived vehicles simply because that seems the most logical thing to do with these comparative newcomers to the European scene.

Some people refer to the microvans as "throw-away commercials" in that they are small, cheap and not particularly durable. They fit happily into the distribution scene in Japan where they originated and where production is mainly

located — last year the Japanese companies turned out about 1.2m microvans.

With production on this scale, the Japanese were able to find room among their car shipments to Europe and sell the microvans at highly attractive prices.

However, when the Japanese found trade barriers — either official or unofficial — extended from cars to include light commercial vehicles too, the tactics were changed. With volume growth restricted by the barriers, the Japanese are looking for value growth by sending higher-priced products to Europe. And the microvans do not exactly fit that category.

The Japanese had proved, however, that there was a cer-

tain, limited demand for microvans and now it seems General Motors might cash in on that demand by assembling one in Britain at the Bedford facilities.

The microvan, which could be in production in the UK by May 1985, will be the successor to the Suzuki ST90. In that period when Japanese light commercial vehicle sales were roaring ahead in Britain, the ST 90 sold at the rate of 3,000 a year.

With a planned European content of 80 per cent of ex-factory value, the Bedford microvans in theory should be able to move freely into those major markets — such as France and Italy — where Japanese vehicles currently face restrictions.

Britain provides fertile ground for such products because it is Europe's second largest market for car-derived vans although demand has been very weak recently, reflecting the state of the economy.

Last year car-derived and microvan sales totalled about 63,700 in Britain. As economic activity picks up, Ford is forecasting that registrations will bounce back to about 55,000 in 1983.

In fact, in the first quarter of this year sales leaped to an annual rate of 95,000.

Demand seems to have been boosted in particular by the utility organisations — gas, electricity boards and ambulance authorities — which found they had money left in the kitty to be spent before the end of the financial year in April.

The sales figures were also influenced by Post Office's orders for Morris Italy vans from BL: the first order

involved 2,500 and the second 3,000 vehicles.

BL's other contribution to the exceptional car-derived van boom was to launch the Metro van. (The Longbridge lines are also programmed eventually to produce a Maestro van and that too, will have a considerable impact on the UK market.)

One talking point in Britain is the sudden interest in diesel-engined car-derived vans. It really does seem that if diesel vehicles are available the British will buy them even though the price difference between petrol and diesel fuel scarcely encourages the trend in the UK.

Accelerate

However, since the diesel version of the Vauxhall Astra van became available, it has accounted for 40 per cent of total sales of that particular vehicle.

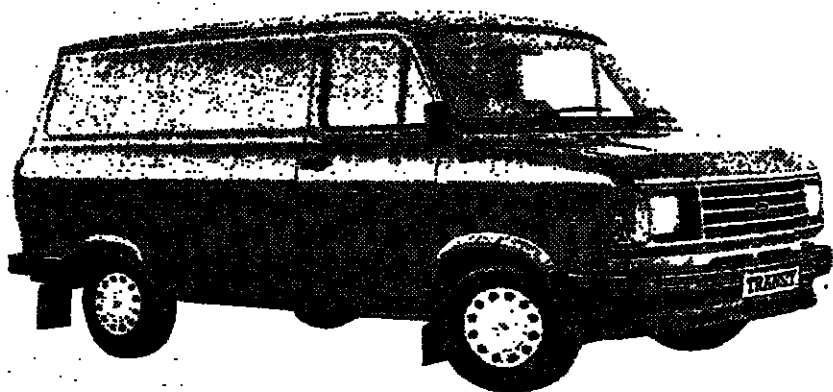
The move to diesel will be accelerated next year when Ford offers its new L6 litre, Dagenham-built diesel in the Escort van. Official fuel consumption tests on the new diesel (but in a Fiesta car) gave 78 mpg for urban driving and over 70 mpg at a constant 56 mph.

Ford is fortunate in that another of its European "home" markets, Spain, is the third largest for car-derived vans, taking 47,000 last year. The group forecast this will rise to 49,000 in 1983 in spite of uncertainties for the Spanish economy.

Once again, a new product will play its part in boosting interest and therefore demand. This year in Spain it is the Seat Trans, based on the Panda, which will have that effect.

Handwritten text: JPM 10/1/83

THE NEW FORD TRANSIT: ANOTHER MILESTONE IN RELIABILITY.



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VANS AND LIGHT TRUCKS VI

The emphasis on trimming running costs is likely to have an increasing impact on diesel sales, reports John Griffiths

Commitment to diesel engine still growing

THROUGHOUT THE fluctuations in demand for light commercials in various parts of Europe during the past decade, one trend has persisted: a growing commitment by purchasers to the diesel engine.

This applies to light vans, derived directly from cars, as well as to purpose-built panel vans, many of which have their power trains rooted in passenger vehicles even if their bodywork is divorced from them.

Since 1980, the trend has accelerated considerably. In the seven main European markets—West Germany, France, Italy, the UK, Belgium, Netherlands and Spain—for example, the diesel share of panel vans went from 41 per cent in 1980 to 55 per cent in 1981. In a recent study, consultants Automotive Industry Data forecast that the level would be 79 per cent by 1986. It was a mere 27 per cent in 1974.

In Spain, penetration has already reached 100 per cent. In unit terms, this means that out of the 450,000 panel vans of between 2 and 3.5 tonnes gross weight registered in the seven countries in 1981, just under 250,000 of them were diesel-powered. AID's estimate of 464,000 registrations for such vehicles in 1986 would mean that 367,000 of them would be diesels.

Diesels in car-derived vans are a newer phenomenon, given a big push by Volkswagen's decision to develop a high-speed diesel, based on the petrol version, for its Golf hatchback—an instant success when it emerged in the late 1970s.

Coupled with the further big jump in oil prices in 1979, the associated recession and greater stress on vehicles with improved fuel economy—the sole advantage of the diesel—the diesel Golf acted as the catalyst for all the major manufacturers to involve themselves heavily in light diesel production.

Thus General Motors went to work on a 1.6 litre diesel version of the "Family Two" petrol engine powering its small and medium car ranges (Cavalier and Astra in the UK), against the background of the opinion of Opel, its West German subsidiary charged with car development in Europe,

that diesels in the next few years would account for 20 per cent of all European car sales.

This month Ford starts production of its own 1.6 litre diesel at Dagenham—an engine which, the company claims, is capable of 70 mpg at a constant 56 mph. Initial output will be of 150,000 units a year and Dagenham will be the sole source of supply for all Ford's European plants. If demand warrants, Ford can push output up further.

The new diesel has been anything but a peripheral exercise for Ford, which is spending £140m on it. The engines will go into Escorts and Fiestas (and their van versions).

By the same token, BL has joined with the specialist diesel engine manufacturer Perkins to produce a diesel engine to fit its medium car range—and possibly the executive model to be produced jointly with Honda in 1983. It is also expected to go into a van version of the Maestro (a petrol model should be launched within a year). This engine, however, is to be a "direct injection" unit—in which the fuel mixture is injected directly into the combustion chamber rather than into a pre-ignition chamber.



Mercedes-Benz makes two van ranges covering twelve different weight versions but has seen increasing competition in the diesel sector from Volkswagen.

It would be the first engine of its type—all the existing units, even Ford's new one—are of the "indirect" injection type.

Theoretically, it should increase existing diesels' fuel consumption advantage to up to 50 per cent, compared with the 20-30 per cent advantage claimed for current light diesels over petrol engines. Certainly, BL and Perkins—the latter will have worldwide marketing rights for production not required by BL—are claiming that it should provide average fuel consumption of 60 miles per gallon.

Investment

The point about all these developments is that they allow the introduction into car-derived vans of high fuel efficiency engines, the investment in which could never have been justified for light commercials alone. For while the European car market this year is likely to be about 10m units, that for car-derived vans by comparison is forecast by Ford this year at just over 400,000.

There is still a purchase price premium to be paid for diesel versions, which can vary

widely; but as the unit cost of diesel production has come down with higher output, the gap has been narrowing (a Vauxhall Cavalier car with the Family II diesel, for example, is now down to about £260 more than the petrol equivalent).

Bedford, Opel's sister company in the UK, specialising in commercials has already made a marked impact with the diesel version of its car-derived van. Launched only last year, it is already accounting for 40 per cent of Astra van sales.

The diesel car market itself inevitably is subject to considerable fluctuation.

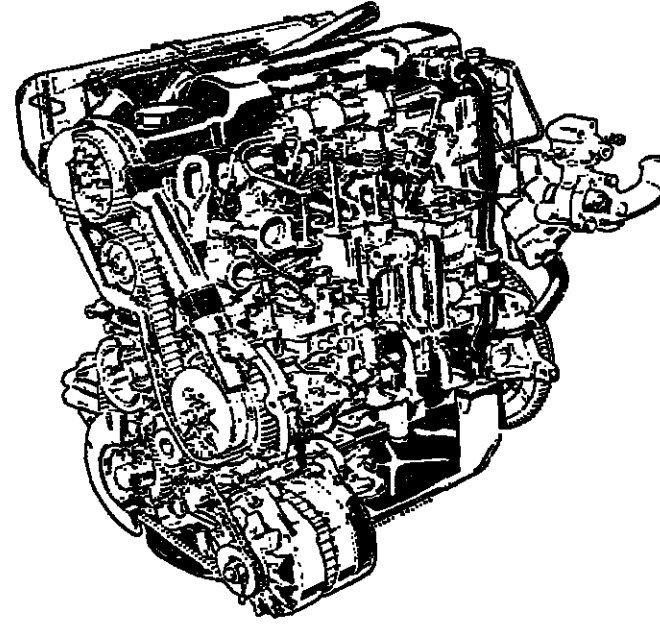
This is because the only reason for buying a diesel is to cut fuel costs (the diesel is generally noisier, more sluggish than a petrol engine and requires servicing more often). So any change in fuel price structures is inevitably likely to have a pronounced effect on sales.

The recent decline in fuel prices in real terms has already sent diesel car sales sharply into reverse in the U.S., where immediately after the 1979 crisis it was predicted that they would be taking 20 per cent of the market. Instead, they have more than halved from the 1981 level.

But whereas a diesel car is very much a discretionary purchase, light commercials are bought with running costs as a prime consideration. And with fuel tax regimes in most European states structured in favour of diesel—it is less than half the price of petrol in Italy, for example—the expectation is that diesels will continue to make inroads into the light commercials market.

Even the current stagnation in fuel prices, another consulting group, DRI Europe forecasts a drop in real terms over the next two years and no further increase until the end of the decade—is likely to have a decreasing impact on diesel sales, however.

The light diesel market got its initial stimulus from the quadrupling of oil prices in 1974. Improvements to the diesel were made as the market became more worthwhile to the manufacturers, and the 1979 rises repeated the process. So now, the manufacturers



Ford's new 1.6-litre diesel, which will be built at Dagenham, and (above, right) the latest Fiesta, one of the models which will use it.

are likely to do everything in their power to make diesels yet more attractive, simply because of the investments they have got tied up in them.

Panel vans remain the largest single commercial vehicle category in Europe, and it is in France that some of the biggest changes have occurred.

AID forecasts that diesels will have 93 per cent of the sector in France by 1986, compared with about 63 per cent two years ago.

The biggest factor has been the arrival of Renault's new Trafic and Master vans in diesel form. Previously, Renault had catered to the sector with the Estafette, which had been available only in petrol form.

Their impact can be measured from the fact that while sales of petrol panel vans rose by 28 per cent in 1981 compared with the previous year, those of diesels rose by 221 per cent. With the recent arrival of the Peugeot J5 and Citroen C25 vans of similar weights (they are versions of Peugeot's Ducato van joint venture with Fiat in Italy) the diesel share can be expected to grow even more quickly.

In West Germany, diesel penetration has increased from 10 per cent in 1974 to 44.8 per cent last year and is forecast by AID to reach 75 per cent by 1986.

Until 1980, Volkswagen had not offered diesel versions of its vans—the diesel fuel price was

not, until then, particularly advantageous. VW had tended to occupy the lighter end of the panel van market, topping out at 2.5 tonnes gross weight, while Daimler-Benz, itself producing mainly diesels, had dominated the higher weight categories.

Spin-off

However, as a spin-off from the Golf, VW introduced a diesel version of its Type 2 Transporter van in 1980, and these have gone on to account for nearly a half of Transporter sales. So by 1981, it had edged slightly ahead of Daimler-Benz in total diesel van sales in West Germany—47 per cent against Daimler-Benz's 42 per cent—and its position has been strengthened further this year with the extension of its larger LT range up to 5 tons, and the introduction of six-cylinder engines in petrol, diesel and turbocharged diesel forms.

The engines were themselves developed from the 1.6 diesel, using a modular "building block" system in which, despite the two extra cylinders, many components are shared. All the variants have 187 common parts.

The highly advantageous fuel pricing structure of Italy has long seen diesels dominant. They had 53 per cent of the panel van sector at the time of the first oil crisis.

Ironically, however, Ford's diesel-powered Transits are the



THE RISE OF THE DIESEL VAN (registrations, 2.01-3.5 tonnes)

	1981-86			
	1981	Diesel content	%	1986†
Belgium	15,401	8,172	53.1	17,200
France	118,954	75,366	63.4	111,400
West Germany	119,126	53,363	44.8	104,600
Italy	73,064	64,494	88.3	79,900
Netherlands	19,762	9,992	50.6	20,200
Spain	24,785	24,785	100.0	32,900
UK	81,133	12,821	15.8	97,800
Total W. Europe	452,225	248,993	55.0	464,000

† Forecast.

Source: Automotive industry data.

market leaders, with about 40 per cent of the market. Fiat, symbolic of its investment hiatus in the 1970s, did not offer a significant diesel competitor, and it is only now with the advent of the diesel Ducato it is starting to put up a challenge. With the launch of the Ducato, it is certain that in a few years diesel domination of the Italian panel van market will be complete.

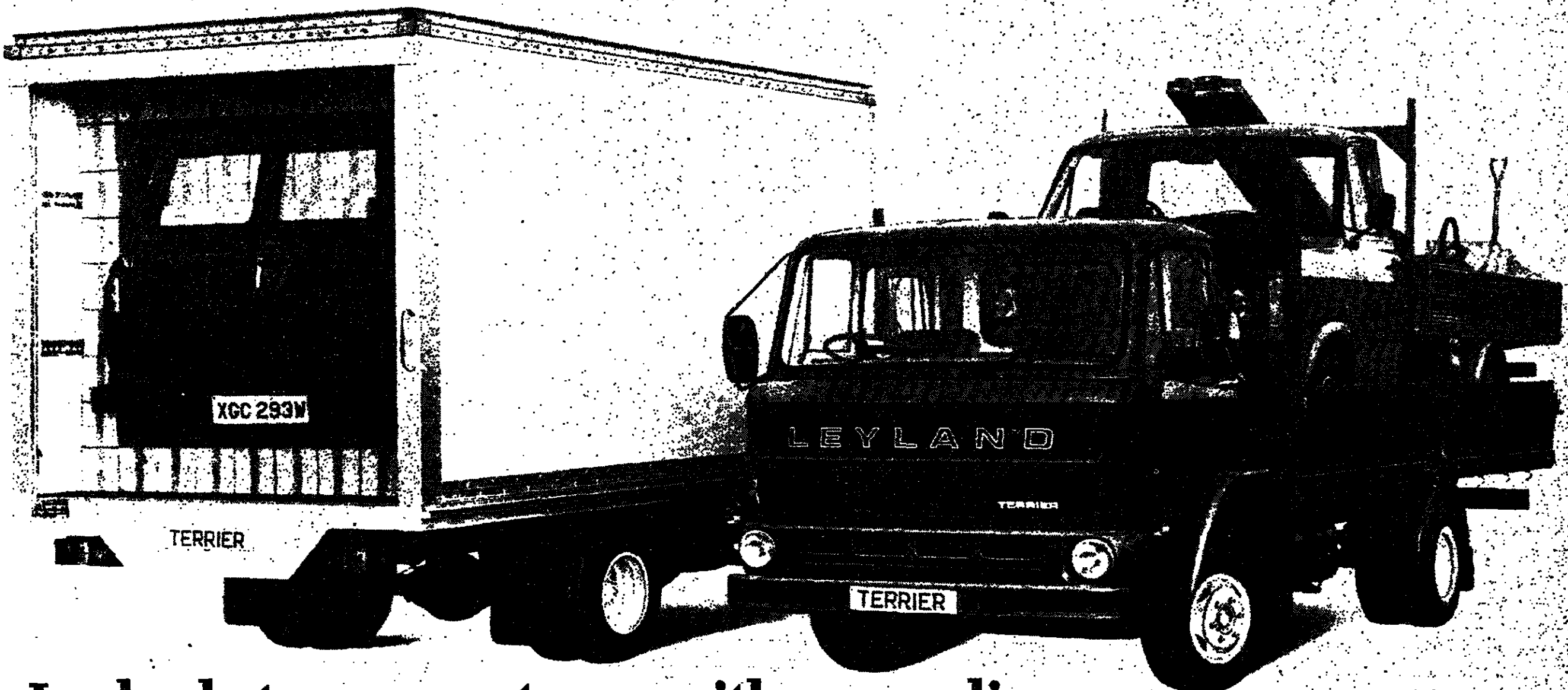
Hitherto, the UK has been the only European odd man out. Growth of the diesel van market has been discouraged for several reasons. One is that only recently—partly as a result of the UK Government increasing the duty on diesel fuel by only half that applied to petrol—has diesel emerged at the same price as, or slightly cheaper than, petrol.

Another is the unique-to-the-UK legislation under which a vehicle above 2.55 tonnes gross weight becomes subject to an

annual commercial vehicle test (lighter vehicles require only a three-yearly test). That has encouraged operators to opt for the lighter vehicles. But these were predominantly petrol-powered. And when diesels became more attractive, the only diesel engines available had sufficient extra weight to take them over the crucial 2.55 tonnes limit.

The advent of new, lighter diesels for such vans and a legislative climate increasingly likely to favour diesel fuel, should help to overcome the obstacles.

The Japanese industry, a major producer of panel vans which find their way into markets throughout the world, serves to underline the diesel trend. Between 1976 and 1981, its output of petrol vans rose by 52 per cent. In the same period, diesel production rose by 152 per cent, and reached 37 per cent of the total.



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VANS AND LIGHT TRUCKS VII

Kenneth Gooding explains how European manufacturers are reacting to stiff competition from the East

Panel vans sales push by Japan

THE JAPANESE have had—and will continue to have—a profound influence on the Western European market for light commercial vehicles of between 1.2 and 3.5 tonnes gross weight, a sector which takes in purpose-built panel vans and pickups.

The Japanese "invasion" has been very swift. Five years ago they accounted for just 6 per cent of total European sales of this sector. By 1980 the share was up to 11.7 per cent and in the first quarter of this year it was running at 17.2 per cent. And that was in spite of a major cutback in Japanese sales in Britain.

British makers reacted in 1981 after the Japanese share of the up-to-3.5 tonnes commercial vehicle business jumped from 16 to 25.6 per cent in only 12 months. Pressure from the UK Society of Motor Manufacturers and Traders (SMMT) forced the Japanese makers to be more "prudent" in their approach.

Last year Japanese penetration of this particular market sector dropped steeply to around 15 per cent and in the first five months of 1983 was down to only 11.52 per cent.

Japan's sales push has been mainly felt in those European markets where there is no domestic manufacturer of vehicles and in some cases Japanese penetration is now well over 50 per cent.

However, West Germany, which exports about half its vehicle output and therefore plays a rather lonely role on the Continent as protector of free trade, has taken no action to halt the Japanese advance.

As a result, the Japanese share of sales of commercials between 1.2 and 3.5 tonnes has risen from 4.5 per cent in 1980 to 15 per cent in the first four months of this year.

There is no doubt about which company suffered most from this Japanese success. Volkswagen, as the market leader had most to lose. Its market share, 52 per cent in 1980, was down to 46 per cent in the early part of this year. In Germany, the Mitsubishi L300 van has proved particularly successful while, looking at Europe as a whole, the Toyota Hi-Ace has been very popular among the Japanese products.

Squeezed

Volkswagen has also been squeezed in many of its European export markets by Japan's success. The German group's European market share in 1980 was 50.3 per cent. In May this year it was down to just 16 per cent. Meanwhile, over the same period the Japanese penetration has risen sharply.

Having established a bridgehead, some assembly-manufacturers in Europe by the Japanese companies is about to take place. Not, it would seem, as part of some "grand design," but simply because in two particular cases it suits the companies involved to do so.

General Motors aims to beef up its commercial vehicle operations in Europe by producing Japanese designed vehicles—including the Isuzu WZR van as Luton in the UK and GM promises an 80 per cent local (that is European) content at ex-factory prices. GM, it will be remembered, owns 34 per cent of Isuzu as well as 100 per cent of Bedford in Britain.

GM and Isuzu have also set up a joint sales company, operating into a dealer network which in the past has handled only Bedford vehicles.

Nissan is also moving into European production of light commercials, though rather re-

luctantly, after being forced by the Spanish authorities to take control of Motor Iberica. Output of the four-wheel-drive Patrol started in February and eventually should rise to an annual 15,000 to 17,000 vehicles with 8,000 to 10,000 for export. This will be followed in early 1985 by production of the Vanette with a projected annual output of 7,000 for Spain and up to 10,000 for export.

Obviously, these "Europeanised" Japanese vehicles will to some extent substitute for imports. Imports of the Patrol to Europe will stop once production is at full-steam-ahead, for example.

With the Vanette, Nissan hopes to steal some business from imports like the Mazda and Toyota vans. However, both GM and Nissan also expect to do better against the European-owned companies as well.

Not that the Europeans have been resting on their laurels. Volkswagen launched a new Transporter in 1980 and recently put improved engines in the 1975-launched LT van. Renault has introduced the Traffic-Master range while Fiat and the Peugeot group have their joint vans, sold as the Fiat Ducato, the Peugeot J5, Citroën C25 and the Talbot Express.

In Britain, BL decided not to

pull out of this part of the commercial vehicle market and has produced an improved Sherpa van. This has enabled the group to benefit from the self-imposed restrictions by the Japanese and Sherpa sales have been at record levels this year; in the first five months registrations totalled 6,495, up 63 per cent on the same period of 1982.

The major question remaining, however, is: what will Ford do with the Transit van, now nearly 18 years old? In spite of its vintage, the Transit last year retained its place at the top of the list of best-selling European commercial vehicles (excluding the car-derived variety). Transit registrations last year reached 98,700, up from 95,000 in 1982.

Ford, like BL, benefited from the Japanese constraints in Britain—when the Japanese surged to 27 per cent of the under-3.5 tonne market Ford's share dropped to 29 per cent. Last year the group was back to a record 40.6 per cent share, not only because a "price and product re-alignment programme" (some reductions in price, some improvements in specification for the Transit) worked well, but also because Ford entered the one-tonne pick-up business with the F 100,

based on the old Cortina saloon, made in South Africa and therefore escaping the restrictions on the Japanese whose models previously dominated this market sector.

Facelift

But the Transit cannot be expected to hold on for ever, even though it has been "freshened" (a minor facelift) this year. In the Transit's home base, Britain, the new Continental products have been gaining ground—they increased their market share from 11.5 per cent in 1981 to 18.5 per cent in the first four months of this year.

Ford's Transit replacement, code-named Triton, has been on the stocks a long time and the launch has been delayed so often that any prediction about its emergence into the market place has to be very tentative. However, it really does seem that the new Transit will be launched in 1984.

Ford's predictions about the 1.2 to 3.5 tonne market this year suggest a mixed bag of results with the European total being pulled down particularly by a major decline in France. France was the best of the European markets last year with sales in this sector of 135,000 but, following the

Government's action to dampen down the economic activity, Ford feels that registrations could drop as low as 100,000 in 1983. The company predicts a reasonable upturn in Britain, from 116,200 to 125,000 while in West Germany, the other major market for commercials of this type, its forecast is for sales to rise from 114,000 to 126,000 this year.

The prediction about France has adverse implications for Renault in particular because that group relies on its home base for about 70 per cent of sales of Trafics and Masters.

The Ford forecasts fit neatly with those from DRI Europe which cover the whole sector up to 3.5 tonnes, including car-derived and microvans.

DRI says in its latest "European Trucks Forecast Report" that "the exception to the improving European demand (for commercial vehicles) picture is again the light sector. As the consumer cycle has lagged the recession in industrial activity, van sales held up longer—especially in France and Italy. The downturn in these two large markets will cause a contraction of sales this year, though modest growth will again be achieved thereafter."

Dealing with France, DRI suggests the light commercial



Toyota's Hi-Ace has proved popular in Europe, along with other Japanese panel vans which have penetrated the market considerably.

PRODUCTION
(panel vans, 2.01-3.5 tonnes)

	1974			1981		
	Petrol	Diesel	%	Petrol	Diesel	%
W. Germany ...	254,486	17,148	6	132,505	125,624	48
Italy	34,028	16,785	33	18,353	61,833	77
UK	81,827	27,796	25	48,538	31,128	40
France	61,625	34,212	26	42,432	80,686	66
Belgium	30,271	13,600	31	20,099	25,824	56
Source: ATD.						

Source: AID

market should not be expected to exceed the 1983 peak until the 1990s. In Italy, sales of light commercials were buoyed up last year by the launch of the Fiat Ducato although consumer demand was already on the wane. "In 1983 the payback for this long maintained momentum will occur and we expect a 12 per cent fall in sales."

Kenneth Gooding

Operators continue to look towards higher and lower weights

Medium trucks market declines

TEN YEARS after its introduction in 1973, Ford in July stopped producing its A-series range of light trucks.

The A-series, which operates at between 3.5 tonnes and 6.3 tonnes gross weight, have been assembled at Ford's Langley plant in Britain. The company says there should be no effect on employment there now it is out of production.

Ford says the A-series would have needed some investment to bring it up to date but that volumes are now so low as to make this not worthwhile. Last year the company produced only 580 A-series for the UK and 682 for export to West Germany, France and Italy.

In Britain, the A-series vehicles have mainly been used for "one-off" applications such as special breakdown vehicles or invalid buses with tailgates for easy exit and access. Ford reckons the introduction in 1981 of its Cargo range has seen operators replacing A-series with Cargo vehicles of similar weights.

One factor in the A-series demise was that some years ago there were problems with the diesel engine, subsequently eliminated but which dented the fleet from buying the trucks.

The market for trucks of 3.5 to 6.3 tonnes gross in Britain has declined sharply since it became necessary to fit tachographs to vehicles over 3.5 tonnes. Ford forecasts that registrations of such trucks will fall from about 5,500 last year to about 4,000 in 1983 and that the decline will continue.

Measured against the total over-3.5 tonnes market in the UK, the 3.5 to 6.3 tonnes segment peaked at 16.1 per cent of the sector in 1980, possibly distorted by large deliveries to the Post Office. Last year this sector accounted for only 12.4 per cent of the total "heavy" (over 3.5 tonnes) market and so far this year it has been below 11 per cent. Ford believes it will decline to 8 or 9 per cent.

Leader

Market leader in the sector is Mercedes (Daimler-Benz) with 26.1 per cent, just leading Dodge, which does well with the Dodge 50, 24.8 per cent, and Iveco (Fiat) with 18 per cent and Ford 16.1 per cent.

Leyland has dropped out of this sector for the time being when it ended production of the FG-series trucks at the end of 1981.

Leyland decided that the engineering effort required to bring the 20-year-old FG-series to a position where it could meet the type approval regulations which came into effect in April this year (the truck in particular would have failed because of the requirement for seat belt anchorage points) would not be worthwhile given the low—and falling—volumes involved.

In 1980 in Britain 644 FG-series trucks were registered, most of them in the 3.5 to 5 tonnes category although the series did go up to 7 tonnes.

Sales in the following year were down to 267 and in 1982 reached only 111.

The indications are that Leyland will leave a gap in its range in this category because the British market has tended to graduate towards 3.5 tonnes at the bottom end—the weight at which an operators' licence is required—and 7.5 tonnes at the top end because that is when the driver needs a HGV (heavy goods vehicle) licence.

Leyland is still represented in the sector by the Terrier which starts at 6.5 tonnes and is due to be replaced sometime in 1984 with the vehicle code-named MT211. The sister company, Freight Rover, which produces the Sherpa vans, will cover the lower end of the weight range with the MT210 large panel van, an addition to the range due to be launched later this year.

Home base

Compared with the UK, where the 3.5 to 6.3 tonnes sector is only 11 per cent of the 3.5 tonnes-and-over market, in West Germany vehicles of this type account for 25 per cent and it is from this healthy home base which Daimler-Benz draws its strength. It has 80 per cent of the sector.

In Germany, as in most other Continental markets, customers prefer large integral panel vans rather than the chassis-cabs which are more popular in Britain.

Ford probably will fill the gap left in its range by the end of the A-series production by taking the Transit van up to 3.5 tonnes and by adding a version with a 10-foot body length. At the same time the Cargo could be brought down the weight range to 5.5 tonnes, or possibly 6 tonnes.

Ford was also influenced to some extent by the fact that the 3.5 to 6.3 tonnes segment in many Continental markets is following the trend set in Britain. And against the background of falling demand, on the Continent there is the added competition brought by the Japanese who are successfully selling vehicles such as the Toyota Dina and the Mitsubishi Canter.

Forecasts from DRI Europe cover a wider territory, from 3.5 to 15 tonnes, but give an indication of the trend. According to DRI, in the eight major European markets (Belgium, Netherlands, France, West Germany, Italy, Sweden, Spain and the UK) registrations of trucks in this sector, having dropped by 10.8 per cent to 106,000 in 1982, should improve by 5 per cent this year to 111,650. In 1984 sales are forecast to rise by a further 10.5 per cent to 123,400.

In contrast, production of trucks in the 3.5 to 15 tonnes sector in the same countries are forecast to fall 4.6 per cent to 168,450 this year following a drop of 8 per cent to 174,600 in 1982. Only in 1983 does home output enable output to move up again, by 10 per cent to 185,700, according to DRI.

Kenneth Gooding



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And the Bedford CF is still the only British short wheel-base van that takes standard 8' x 4' panels flat on the floor between wheelarches with rear doors firmly shut.

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Astra L van 1.3S petrol	£4 048	31.7 mpg	47.9 mpg
Astra L van 1.6 diesel	£4 436	39.7 mpg	56.3 mpg

A. Price excluding VAT, number plates and delivery. B. Half laden on urban cycle. C. N. constant 56 mph (manufacturer's figure).

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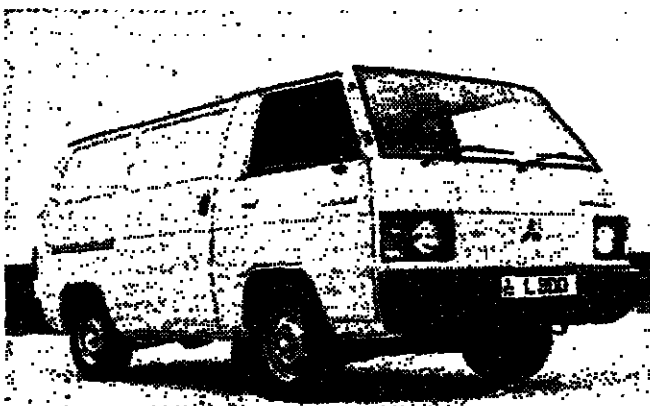
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VANS AND LIGHT TRUCKS VIII

Alan Bunting takes a close look at the construction of some of the main market contenders

Individuality in state of the art design



The Mitsubishi L300: its impact on the one-tonne market has been felt especially strongly in Germany.



VW's LT double cab, which can carry four people. Its chassis can be fitted with various bodies.



The Daily from Fiat is also produced as a standard van and with various body styles.

COMPETITION BETWEEN Europe's van and light truck manufacturers was given an extra turn of the screw in the mid-1980s with the launch of the Ford Transit. Remarkably, 18 years later, the Transit still provides the market benchmark, in the UK at least.

Its design was thought revolutionary. It brought the bonneted layout back into fashion, which enabled the engine to be kept right out of the cab area and permitted easy cross-cab access and/or provision for a third crew seat.

Further, the driver or mate could step in or out of the vehicle with "both hands full." In contrast, the full forward-control layout of earlier van and light truck models from Ford, BL and Commer involved an awkward clamber over the wheel arch to get into the driving seat.

Ford also pioneered in the Transit a form of body/chassis construction which major rivals, notably Bedford, Volkswagen and Mercedes-Benz have followed. Deep inverted top-hat section steel pressings form the main longitudinal.

On panel vans the top-hat flanges are welded to the main (ribbed steel) floor panel; in chassis-cab variants—able to accept proprietary bodywork—shallower top-hat pressings take the place of the floor sheet, to complete a strong enclosed box-section chassis member.

Today's Ford Transit models, which were given major front-end restyling about five years ago, remain market leaders in the UK, in both short and long-wheelbase versions, engineered for payloads up to 1.1 and 1.9 tonnes respectively.

The all-new Transit which is under development should consolidate Ford's market leadership in Britain. More crucially, it is intended to recoup some of the market share lost elsewhere in Europe, where newer continental vans and light trucks in the past decade have raised the state of the art.

On the domestic front GM-Bedford's CF range remains the main challenger to Ford. Its use of independent coil spring front suspension in place of the Transit's more orthodox leaf springs and solid axle makes for better ride and handling. Last autumn the CF vehicles were improved internally to make the crewspace more comfortable and less "van-like" in its layout. Noise levels in the cab were also reduced.

The CF is of semi-forward control layout: the engine intrudes back into the crew area enough to hamper cross-access—a criticism also levelled by some at the Mercedes-Benz Bremen models which are now selling in large numbers in Britain despite a high price-tag.

In the main battle for sales between Ford and Bedford, the Transit has held consistently on to its reputation for greater ruggedness, witnessed by the proportion of eight to nine-year-old Transits still to be seen on the road. Only the unfortunate early history of Ford's York diesel engine—poor fuel economy, difficult cold starting and lubrication problems—mar the Transit's success story.

While Ford and Bedford compete nose-to-nose on load capacities and cargo-space dimensions, BL is currently in contention only in the lighter, smaller sector, against short-wheelbase Transit and CF models. Its Sherpa vans and chassis-cabs can be traced back to the former BMC J4, in terms of body and cab shell design although BL, like Ford, made the fundamental change from a forward-control forward-entry layout to a full bonneted configuration.

Step-in cab

The Sherpa has an easy step-in cab with adequate accommodation for three crew members. It is noticeably narrower than the Ford and Bedford, a fact which has its plus side: a number of major users concerned with manoeuvrability and access in congested urban traffic—notably British Telecom—now specify Sherpa vans for that reason.

Last year French-controlled Dodge Trucks discontinued those long-established PB-Spacevan models which provided the most direct UK competition for the Sherpa. Now controlled by Renault, the company effectively has replaced the PB with the French-manufactured Transvan and chassis range, though at present they are being sold only through the Renault car dealer network in Britain.

However, the Traffic's bigger relation, the Renault Master (grossing 3.5 tonnes, like the heaviest Transit/CF models) is being sold by Dodge truck dealers. It gives them a contender in a market sector not previously covered by Dodge, except with the lightest 50-

series vehicles—a different breed of vehicle altogether, appealing to users with a heavy truck operations background who want high-mileage durability.

Uniquely, the new-generation Renault commercials are built in both front and rear-wheel drive form, to satisfy the respective traditional expectations of van operators in France and elsewhere. The Master, at 3.5 tonnes gross, is the heaviest fwd commercial now being offered in Europe.

The main attractions of a fwd layout in a van come from the absence of a propeller shaft, allowing the load platform to be eight or ten inches lower. Thus cubic capacity of the body is increased and the laden weight of gravity can be lowered to the benefit of ride and handling.

A joint French-Italian project led to the development of an all-new fwd transverse-engined range of vans from Peugeot-Talbot and from Fiat. In recent months the visually identical Talbot Express and Fiat Ducato have begun to appear in considerable numbers on British roads. They compete directly with the Renault Traffic on international markets as well as with the rear-engined Volkswagen type 2 and short-wheelbase Ford Transit/Bedford CF.

In payload terms one of the Fiat Ducato's competitors on the British market is the 3 tonnes gross Daily, built and marketed by Fiat's Iveco truck division, but as with the Dodge 50-series, the Daily is a much more heavily-built vehicle, with truck antecedents.

Germany's vans and light trucks in the all-important 3.5 tonnes gross sector come from two manufacturers totally unrepresented in that weight class until the mid-1970s. The forward-control LT range took Volkswagen into a completely new market. Previously, the only VW commercial was the rear-engined type 2—which remains a best seller in the 1-tonne payload category.

Meanwhile Mercedes-Benz inherited the light van-building activity of the Hanomag concern, which it took over a decade to develop. Today Mercedes van contenders are built at the Bremen plant in Northern Germany, which came with the Hanomag takeover.

Technical comparison between VW LT and Mercedes-Bremen models is a fascinating

exercise. The LT's forward-control layout, with the engine under the seat pan, is a compromise, admitted by VW engineers, arising from the need to rationalise cab design through a range of vehicles grossing between 2.8 and 10 tonnes.

Mercedes on the other hand, designed its Bremen range to extended up to only 5 tonnes or so. Fore/aft weight distribution thus enabled the front axle and engine to be located well forward, ahead of the crew-space, allowing easy step-in entry and full-width seating. It should be added that the latest LTs have their engines tilted over to reduce their height, so that three-man seating becomes a possibility.

Durability

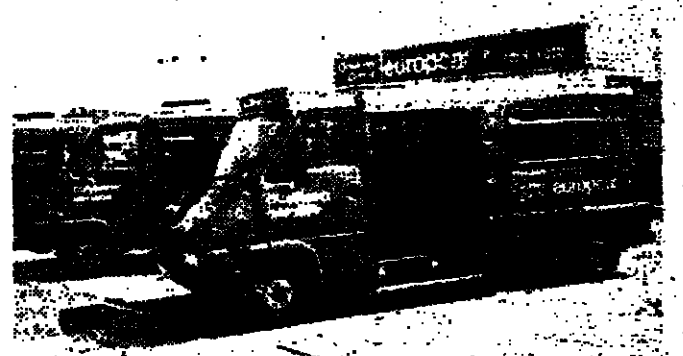
Also on the credit side, VW's new range of engines (petrol and diesel) are all quiet, smooth six-cylinder units. Mercedes sticks to longer-established four-cylinder designs which probably have the edge on durability against VW. Independent front suspension is another VW plus from the ride and handling point of view, up to 3.5 tonnes gross.

Compared with their British rivals the newer European vans and chassis-cabs, especially those from Mercedes-Benz and Renault are "taller." A multi-drop delivery driver can step in and out of the vehicle easily, without stooping—an ergonomic benefit to which increasing importance is being attached in the 1980s.

From Japan, in order of UK market importance, Toyota, Nissan and Mitsubishi have made an impact in the one-tonne payload van market, with well-equipped vehicles that appeal to smaller users. Fleet buyers are more inclined to buy British or, at least European.

Another Japanese-designed van which will go on sale next year is the Isuzu WFB, to be produced by GM-Bedford at its Luton plant as a more compact and, arguably, more elegant alternative to the short-wheelbase CF.

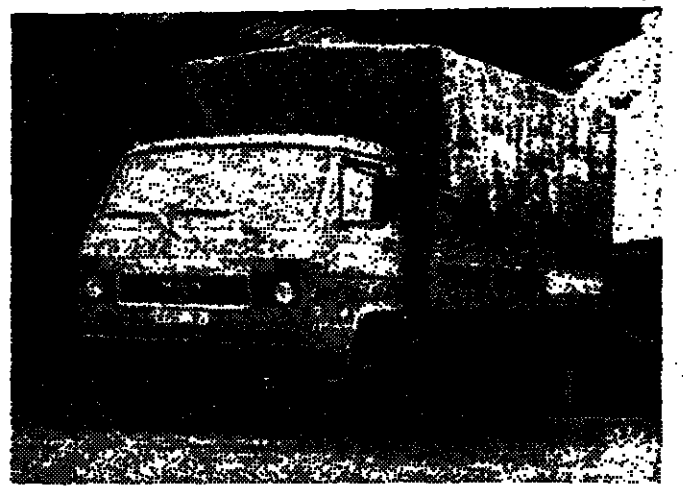
All the Japanese vans, including the Isuzu, are forward-control, forward-entry designs which make maximum use of the road space occupied by the vehicle for cargo carrying, even though ease of crew entry (and exit) might fall short of bonneted vehicle standards.



Renault Master vans adapted as airport transit buses. Masters are built in both fwd and rwd.



Ford's latest Transit has been given some cosmetic changes but an all-new Transit is being developed.

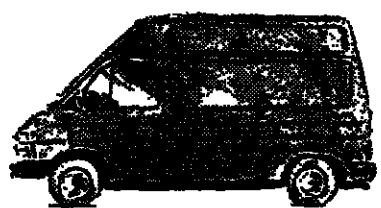


The MAN-VW 136F has a six-cylinder diesel engine and five-speed gearbox.

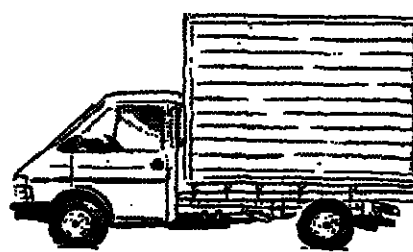
If you can't see what you want, design it.



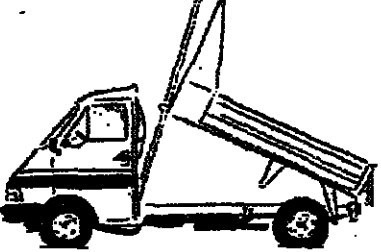
T 500 swb 1400 cc van



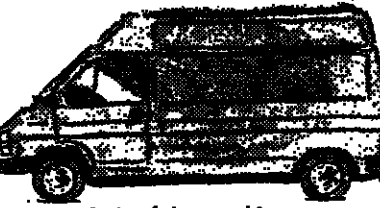
T1000 swb high roof 1400 cc van



swb box vans



tippers



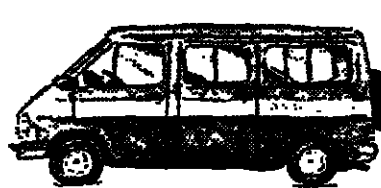
T 1000 lwb high roof 1400 cc van



T1000 D swb 2000 cc diesel van



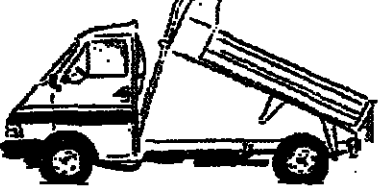
T 1200 lwb high roof diesel van



sitting ambulance



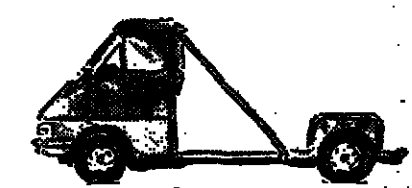
swb box vans



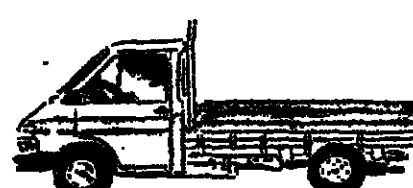
tippers



P2.00 lwb high roof 1650 cc van



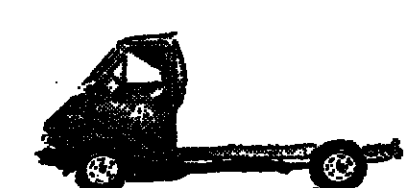
T.35 Platform cab



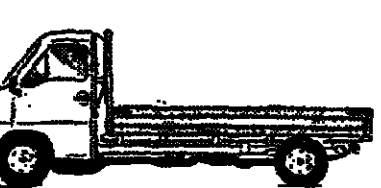
P12.00 dropside trucks



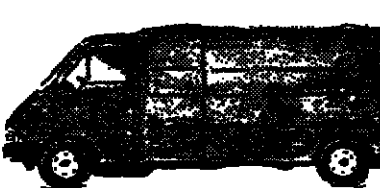
T.35 swb 2.5 litre van



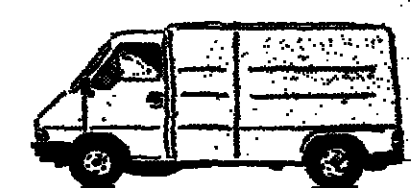
P35 swb chassis cab



P.35 dropside



P.35 lwb 2.5 litre diesel van



T.35 swb 2.5 litre diesel van



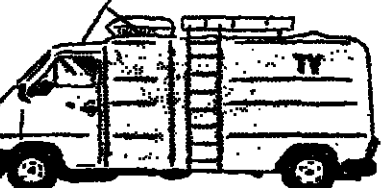
P.35 lwb chassis cab



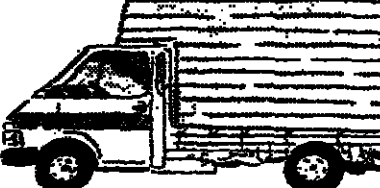
12 seater buses



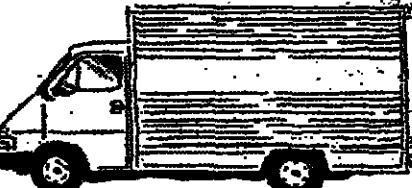
motor caravans



TV vans



Luton vans



T.35 platform cab alloy box



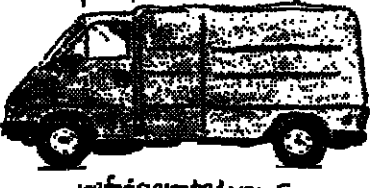
T.35 lwb 2.5 litre van



low loading wheel chair ambulance



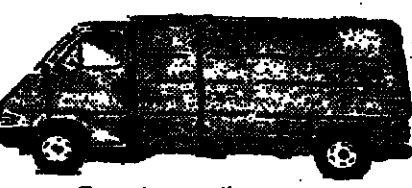
long wheel base dropside



refrigerated vans



horse box



P.35 lwb 2.5 litre van

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